

# The Incorporated Accountants' Journal.

THE OFFICIAL ORGAN OF

The Society of Incorporated Accountants and Auditors



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## Professional Notes.

THE Departmental Committee appointed by the President of the Board of Trade to consider and report whether it is desirable to restrict the practice of the profession of accountancy to persons whose names would be inscribed in a register established by law and, if so, to report on the method by which such registration should be established and controlled, has held several

meetings for the taking of evidence. The witnesses for the Society who have appeared before the Committee are: Mr. Henry Morgan (President), Sir James Martin, Mr. C. Hewetson Nelson and Mr. R. Wilson Bartlett. The Institute of Chartered Accountants in England and Wales has tendered evidence through Sir William Plender, Mr. William Cash and the Hon. George Colville. The witness for the Institute of Accountants and Actuaries in Glasgow was Mr. Peter Rintoul, and for the Society of Accountants in Aberdeen Mr. John Reid. Other organisations of accountants which gave evidence before the Committee are stated to be: Professional Accountants' Alliance, Limited, Institute of Cost and Works Accountants, Limited, London Association of Accountants, Limited, Corporation of Accountants, Limited, Central Association of Accountants, Limited, and the Institute of Certified Public Accountants, Limited. We are informed that the evidence taken will be published in due course by H.M. Stationery Office.

At a meeting of the Council of the London Chamber of Commerce, held on April 11th, the subject of the registration of the profession of accountancy came up on a report of the General Purposes Committee, and, after discussion, it was unanimously decided that as the Institute of Chartered Accountants and the Society of Incorporated Accountants and Auditors, which were affiliated to the Chamber, had both appeared before the Departmental Committee on the question of registration of accountants and had tendered evidence through witnesses, no further action should be taken by the Council at the present time.

The Institute of Chartered Accountants in England and Wales will celebrate the fiftieth anniversary of the grant of the Charter during this month. The principal event will be a banquet at the Guildhall, kindly lent by the Lord Mayor and Corporation of the City of London, on Wednesday, May 14th. Other engagements will comprise a reception by the Lord Mayor at the Mansion House, a conversation at the Natural History Museum, South Kensington, a ball at Grosvenor House, Park Lane, and visits to many places of interest in and around London.

On Monday, May 19th, the Society of Incorporated Accountants and Auditors will entertain the members of the profession from Canada and the United States of America who

are visiting England in connection with the Institute's celebration, at a reception and dance at Incorporated Accountants' Hall. This will afford an opportunity to members of the Society and ladies to participate in welcoming the Canadian and American visitors, who so kindly received the delegation of Incorporated Accountants on the occasion of their visit last September to the International Congress on Accounting held in New York.

At the annual meeting of the South African (Northern) Branch of the Society of Incorporated Accountants and Auditors an interesting speech was delivered by the Chairman, Mr. L. A. Whiteley, F.S.A.A., of Johannesburg. It would appear from Mr. Whiteley's address that there is still some disquiet among members of the South African accountants' societies in regard to the position of Incorporated Accountants in South Africa. We do not know upon what grounds there is room for discontent, for, although the South African Branches of the Society are flourishing, they are not flooding the Union with newly created Incorporated Accountants. According to the Chairman's speech, five candidates sat in the Transvaal for the Society's Final examination in May, 1929, of whom two passed, and four candidates sat at the Final Examination last November, none of whom was successful. On these figures it would hardly have been surprising had the feeling of disquiet arisen in the minds of the Society's candidates who failed to satisfy the Examiners.

The death is announced, after an illness of some months, of Mr. A. W. Tait, C.B.E., partner in the firm of George A. Touche & Co., Chartered Accountants, of London and Canada, and also a partner in Messrs. Touche, Niven & Co., in New York. In an obituary notice, *The Times* pays a striking tribute to Mr. Tait as possessing one of the shrewdest and sanest minds on financial matters in the City of London. He had a great business conception, looking far beyond the immediate future, and a grasp of world affairs and the inter-relationship of countries which has not often been equalled; and "he would," said *The Times*, "countenance no deviation from the path of strictest finance and never allow the public to be deceived as to the position of any business with which he was associated."

The Twelfth Congress of Federated Chambers of Commerce of the British Empire will be opened by H.R.H. The Prince of Wales on Monday, May 26th, and will continue throughout the

week. The sessions will be held in the Guildhall, London, through the courtesy of the City Corporation. The Congress will be a great assembly of representatives of commerce and industry from all the principal cities of the British Empire. The Federation of Chambers of Commerce of the British Empire numbers among its members nine Associations of Chambers of Commerce and 158 federated Chambers in all parts of the Empire, and on the present occasion not only have plenary sessions been arranged, at which delegates from these Chambers will debate those wide questions of economic policy which affect them all, but there will be bilateral discussions between leaders of selected industries in the two countries taking part in them, with a view to exploring ways and means of increasing the exchange of specified goods.

We publish this month the full text of the speech of the Chancellor of the Exchequer in introducing the Budget, in so far as it relates to revenue for 1930-31 and proposed new taxation. Copies of the Finance Bill are not yet available and hence we have not before us any precise particulars of the proposed alterations in taxation law. We can, therefore, only draw attention to certain matters which Mr. Snowden outlined in his speech.

In increasing the standard rate of income tax by 6d. in the pound it is proposed to give relief to the smaller incomes by making the rebate 2s. 6d. in the pound on the first £250, instead of 2s. 3d. on the first £225, as would have been the case if the ordinary course had been followed. The larger incomes will also have to bear an additional charge by an increase in the rates of sur-tax on incomes exceeding £2,000. The increase in the initial rate will be from 9d. to 1s., and on incomes in excess of £50,000 a year from 6s. to 7s. 6d. The official tables which we publish along with the Budget speech will show more precisely what is proposed in this connection. A further amendment with regard to sur-tax is that the rates at which sur-tax is payable in any year are to be fixed by the Finance Act of that year and not by the preceding year's Act, as is at present the case.

The Chancellor has declared war on what he terms "the legal avoidance of direct taxation." For instance, it has become a practice in connection with landed estates to form private companies for the purpose of avoiding Estate Duty. This it is proposed to put a



stop to. Similarly, it is proposed to prevent the avoidance of sur-tax by means of single-premium insurance policies. The Chancellor likewise indicates that he is to take wider powers of obtaining information in regard to the ownership of income. If this is to take the form of a general inquiry into all the sources of income of private individuals, we anticipate that it will meet with opposition.

A welcome amendment of the law which is foreshadowed is designed to remove the hardship which at present occurs not infrequently when a new concern commences business with a very profitable year. It is also proposed to insert a provision which will meet the difficulty occasionally experienced by companies who pay their dividends immediately after April 5th and before the rate of tax for the ensuing year becomes known.

Another alteration of the law which is foreshadowed relates to the liability of non-resident persons trading in this country through agencies. This is to facilitate an endeavour to get uniform treatment by all countries that levy income tax on this class of trade, and, as the Chancellor puts it, it is important that, before entering upon negotiations with that end in view, we should put our own house in order.

The idea apparently is to be in a position to make reciprocal arrangements with foreign countries, under which a foreign principal would only be chargeable on his profits sold through an agent here in cases where the agent either sells from stock or habitually concludes contracts on his principal's behalf as part of the normal course of business.

In the King's Bench last month, Mr. Justice McCardie discussed the circumstances under which the Statute of Limitations could be avoided by fraud or fraudulent concealment on the part of a debtor. The case before him was *Lynn v. Bamber*, in which fraud was alleged. In giving judgment, his Lordship reviewed the cases bearing upon the subject, and said he agreed with the finding of the Court of Appeal in *Armstrong v. Milburn*, where it was held that fraudulent concealment was a good reply to the plea that a debt was Statute barred; but the further question arose whether, in the absence of fraudulent concealment, the Statute of Limitations could be successfully pleaded. In such a case it was laid down in *Rolfe v. Gregory* that the party defrauded was

not affected by the mere lapse of time so long as he remained in ignorance of the fraud, but that once he knew of the fraud he must not be guilty of undue delay. In the present case his Lordship found in favour of the plaintiff on the points of law which had been raised, but held that the plaintiff had failed to establish the charge of fraud, and he accordingly gave judgment in favour of the defendant.

Has a company power under the new Companies Act to issue stock warrants to bearer? This was the question which came before Mr. Justice Luxmoore in the case of *Pilkington v. United Railways of the Havana and Regla Warehouses, Limited*. His Lordship discussed the material sections, and said that in sect. 70 the phrase "share warrants" was used, but there was no reference to "stock warrants," while in sect. 95, which required each share to be distinguished by its number, it was said that stock could not be included. He did not consider such an argument well founded, because the same remark applied to sect. 108, where the words required a wider definition. In his judgment the Act of 1929 had kept alive not only the issue of share warrants to bearer, but, on its true construction, had kept alive also the issue of stock warrants to bearer.

The House of Lords has now finally settled the case of the *Salisbury House Estate Limited v. Fry*, in which an appeal came before them at the instance of the Crown. The question raised by the appeal was whether the company was assessable on its properties under Schedule A or on its profits under Schedule D. The tenancies created by the leases which the company granted were in the ordinary form which prevented the landlord from entering upon the property and gave the tenants exclusive possession. Salisbury House contains about 800 rooms let to some 200 tenants as offices either singly or as suites. No tenant's fixtures were ever provided by the company. A few radiators were installed in the passages, but the company supplied no heating apparatus for the tenants.

In dismissing the appeal and giving judgment in favour of the company, Lord Dunedin said that any income which represented real property was assessable under Schedule A, and the rents received by the company having been so assessed, were, so to speak, exhausted as a source of income and could not be assessed again. The so-called concession made by the Crown that there should be no double taxation, and that,

therefore, a deduction would be made of the sum paid under Schedule A, was beside the mark. It was a concession to avoid double taxation, and could not come into being where double taxation did not exist. In this case it did not exist because, it being imperative to deal with the rents under Schedule A, there was no possibility of subsequently dealing with them under Schedule D. That view was supported by *Hill v. Gregory* decided in 1912. A difficulty was caused by the case of *Rosyth Building and Estates Company v. Rogers*, but he thought that case was wrongly decided.

Another case which came before the House of Lords last month was that of *Inland Revenue Commissioners v. Dalgety & Co., Limited*. This was also an appeal by the Crown, and related to Dominion Income Tax relief. The greater part of the company's income was earned in Overseas Dominions, and was subject to Dominion Income Tax. Part of the income remitted to this country was used to pay debenture interest, from which tax was deducted in the usual way, and the Inland Revenue claimed that no relief could be recovered in respect of the British tax which the company did not ultimately bear by reason of such deduction.

In dismissing the appeal, Lord Buckmaster said it was plain that the right conclusion to be drawn must depend upon the meaning of the words "income" and "paid" in the relevant sections. According to the contention of the Crown, the former meant income after deducting all payments charged on it, and the latter meant paid without recourse for its recoupment. This, he said, might be a reasonable view of what ought to be done in the circumstances, but their Lordships' duty was not to see what in their judgment the Legislature might reasonably do, but to interpret what the Acts of Parliament actually contained. By sect. 209 of the Act of 1918 it was expressly provided that, in arriving at the assessable profits for Income Tax, no deduction should be made on account of any annual interest paid out of such profits, and by General Rule 19 of the 1918 Act it was provided that the whole of the profits and gains should be assessed on the person liable to pay the interest. Therefore the company, and it alone, could be assessed. If there had been no debentures the claim for relief could not have been resisted, and, in his opinion, the existence of debentures could not limit the company's rights nor give greater rights to the Crown.

## Authority to Bind Company on Bills of Exchange.

THE issuing of bills of exchange or promissory notes on behalf of companies has given rise from time to time to a number of important cases, which have called for interpretation by the Courts because of the somewhat indefinite terms employed by Statute. It is curious to note that this vagueness occurs in the Companies Act of 1929, as well as its predecessors of 1908 and 1862.

Sect. 30 of the Companies Act, 1929, following the phraseology employed in the earlier Acts, enacts as follows:—

"A bill of exchange or promissory note shall be deemed to have been made, accepted, or endorsed on behalf of a company if made, accepted, or endorsed in the name of, or by or on behalf or on account of, the company by any person acting under its authority."

Doubts and difficulties have arisen out of the last phrase in the section: "acting under its authority." Must that authority be real and actual, or will an apparent authority suffice? Further, must such authority be express or may it also be an implied authority?

In *Premier Industrial Bank Limited v. Carlton Manufacturing Company Limited and Crabtree Limited* (1909), the Carlton Manufacturing Company had drawn two bills of exchange upon Crabtree Limited, to their order, which were endorsed to the Premier Industrial Bank Limited. The plaintiffs sought to recover the amounts of the bills from Crabtree Limited as acceptors. Crabtree Limited was held not liable to the plaintiffs as holders in due course, since the bills, although accepted on behalf of Crabtree Limited, had been so accepted without the authority of the company. They had been accepted thus: "J. & W. Crabtree Limited. Albert E. Thornber, Director." A resolution of the board had, however, been passed requiring that all bills of exchange were to be signed by a director and countersigned by the secretary. These bills were a fraud upon the company; none of the proceeds found their way into its coffers, nor did the company receive any consideration. Mr. Justice Pickford took the view that "acting under the authority of the company" must mean an actual, existing authority, and not an authority which a person might have exercised by fulfilling terms and conditions.

It is at once apparent that if such be the law practical difficulties must inevitably flow from such a ruling. For no person would be safe in



dealing with a company's bills unless he were acquainted with the internal transactions of its board; a holder in due course would be under the necessity of assuming the risk of a signature being in fact unauthorised, or might even be placed under the positive duty of proving affirmatively the existence of such authorisation. There would ensue the serious consequence that the bills of companies would circulate with considerably more difficulty than other bills, and even than their own engagements of other categories, as was pointed out in *Dey v. Pullinger Engineering Company* (1921), where the opinion of Mr. Justice Pickford in the *Premier Industrial Bank* case was dissented from, and the company held liable upon a bill drawn thus: "*p.p. Pullinger Engineering Company. H. J. Pullinger, Managing Director.*" The Articles of the defendant company empowered the board to appoint a managing director, and to authorise such a managing director to draw bills on behalf of the company. The board did, in fact, exercise the power to appoint a managing director, but they omitted to or abstained from authorising him to draw bills. The judgments in this case proceeded upon the footing that the plaintiffs, holders in due course, were entitled to act upon the assumption that the managing director had authority to sign as he had done. Such assumption, however, would not necessarily be warranted in the case of a signature by a manager, as distinct from a managing director. This was emphasised in *Kreditbank Cassel G.m.b.h. v. Schenkers Limited* (1927). There the plaintiffs, as holders in due course, sued the defendant company as acceptors upon a number of bills drawn and endorsed for and on behalf of the defendant company by a branch manager. The bills were drawn fraudulently, the branch manager having no authority to act in such matters on behalf of the company. It was held that the plaintiffs could not recover. The position between the case of a managing director purporting to act on behalf of his company and the case where a manager purports to act on behalf of the company which employs him is rightly distinguished, said Lord Justice Atkin, for a business man is quite justified in assuming that a director who puts himself forward as having authority to act for his company in a matter which companies do commonly delegate to directors has that authority in fact. If a manager so puts himself forward, a prudent business man should feel himself, on the other hand, called upon to make inquiry. Nevertheless, he declined to lay down a broad, general rule, since, clearly, there may be businesses of a kind where a manager may well be authorised to act on behalf of companies in such

matters as making, accepting or endorsing bills of exchange or promissory notes. The facts and circumstances of each case must be looked to.

This much at least is clear: that express authority is not required. If it were, the Legislature could not well have omitted to make its intention manifest in three successive Statutes by the simple expedient of the insertion in the section of the word "express" in the phrase "under its authority."

### Personal Responsibility of Directors

ONE of the outstanding features of the Companies Act, 1929, is the emphasis it lays upon the personal responsibility of directors with a view to preventing abuse of office. Formerly there was no statutory provision as to the number of directors, but now by sect. 139 every company (other than a private company) registered after November 1st, 1929, must have at least two directors. Under the Act of 1908 a person could not be appointed a director by the Articles, and could not be named as a director or proposed director in the prospectus, or in any statement in lieu of a prospectus filed with the Registrar, unless certain conditions were complied with. By sect. 140 these restrictions are extended so as to apply to a prospectus relating to an intended company. Under the Act of 1908 the conditions were that the person appointed or advertised had signed and filed with the Registrar a consent in writing to act as director, and had either signed and filed with the Registrar a contract in writing to take from the company and pay for his qualification shares, or signed the Memorandum of Association for the necessary number of shares. Instead of a contract in writing, sect. 140 requires an undertaking in writing to be filed, and on this being done the person signing it will be in the same position as if he had signed the Memorandum for the qualification shares. Other alternatives are that the person shall have taken from the company or agreed to pay for the shares, or have made and lodged with the Registrar a statutory declaration to the effect that a number of shares not less than his qualification are registered in his name. These restrictions do not apply to a company not having a share capital, or to a public company which was formerly a private company. Neither do they apply to a prospectus issued more than a year after the date on which the company is entitled to commence business.

By sect. 142 no person who is an undischarged bankrupt may act as a director, or directly or indirectly take part in or be concerned in the

management of a company, except with the leave of the Court by which he was adjudged bankrupt. Contravention of this provision renders him liable on conviction on indictment to imprisonment for two years, or on summary conviction to imprisonment for six months or to a fine not exceeding £500, or to both such imprisonment and fine. This provision does not apply to an undischarged bankrupt who was acting as director or taking part or was concerned in the management on August 3rd, 1928, who has continuously so acted, taken part, or been concerned since that date if the bankruptcy was prior thereto.

A provision usually found in Articles, that a director who is directly or indirectly interested in a contract or proposed contract with the company must declare the nature of his interest at a meeting of directors, is by sect. 149 made a statutory requirement. The section directs the manner in which the disclosure is to be made, and provides that nothing in the section is to be taken to prejudice the operation of any rule of law restricting directors from having any interest in contracts with the company. Failure to comply with these provisions renders a director liable to a fine of £100.

Sect. 45 prohibits the giving directly or indirectly, by means of a loan, guarantee, the provision of security, or otherwise, of any financial assistance for the purpose of or in connection with a purchase made or to be made by any person of shares of a company. By sect. 128 the accounts to be laid before a company in general meeting must contain particulars showing (a) the amount of any loans which, during the period to which the accounts relate, have been made either by the company or by any other person under a guarantee from or on a security provided by the company to any director, including any such loans which were repaid during the said period; and (b) the total amount of the remuneration paid to the directors, including all fees, percentages or other emoluments, paid by or receivable from the company or by or from any subsidiary company.

Stricter provisions as to the register of directors are provided by sect. 144. By that section the requirements as to the particulars respecting directors which the register must contain are modified to accord with the practice approved by the Registrar, and there must be recorded in the case of a director who has no business occupation, but holds any other directorship or directorships, particulars of that directorship or of some one of those directorships. A return containing the particulars specified in the register, and notifying

any change among the directors, must be made to the Registrar periodically. The register must be open to inspection by any member free, and by any other person on payment of one shilling. Failure to comply with any of these requirements renders the company and every officer liable to a fine of £5 a day whilst the default continues.

Under sect. 150 it is illegal for any payment to be made to a director by way of compensation for loss of office, or as consideration for or in connection with his retirement from office, on the transfer of the whole or any part of the undertaking or property of the company unless particulars with respect to the proposed payment, including the amount thereof, have been disclosed to the members and the proposal approved by the company. Where any such illegal payment is received by a director it will be deemed to have been received in trust for the company.

Sect. 152 declares void any provision in the Articles or in any contract with a company or otherwise, exempting a director from or indemnifying him against any liability which by any rule of law would otherwise attach to him in respect of any negligence, default, breach of duty or breach of trust of which he may be guilty in relation to the company.

Various stringent provisions relating to the keeping and publication of accounts and the responsibility therefor of directors have been added. In particular sect. 122 makes it compulsory for all companies to keep proper books of account with respect to (a) all sums received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (b) all sales and purchases of goods by the company; and (c) the assets and liabilities of the company. The books must be kept at the registered office, or at such other place as the directors think fit, and must at all times be open to inspection by the directors.

By sect. 123 a profit and loss account must not later than eighteen months after the incorporation of the company, and subsequently once at least in each calendar year, be laid before the company in general meeting. The section also requires a balance-sheet as at the date to which the profit and loss account is made up to be made out in every calendar year and laid before the company in general meeting. Every director who fails to comply with the provisions of sects. 122 and 123 is liable to imprisonment for six months or to a fine of £200.

Sect. 275 provides that if it appears in the course of a winding-up that any business of a company has been carried on with intent to



defraud any creditors, or for any fraudulent purpose, the Court may declare that any past or present directors who were knowingly parties to the carrying on of the business in that manner shall be personally responsible without limitation of liability for all or any of the debts or other liabilities of the company. Every director who was knowingly a party to the carrying on of any business with such intent or for such purpose is liable to imprisonment for a year. Further, the Court may, in respect of any person with regard to whom it has made such a declaration as above-mentioned, or who has been convicted of an offence such as is mentioned, order that such person shall not without leave of the Court be a director of or be in any way, directly or indirectly, concerned in or take part in the management of a company for such period, not exceeding five years, from the date of the declaration or the conviction, as the Court may order. Acting in contravention of such an order of the Court renders a person liable on conviction on indictment to imprisonment for two years, or on summary conviction to imprisonment for six months, or to a fine of £500, or to both such imprisonment and fine.

The Act of 1929 considerably strengthens the hands of members in regard to meetings and resolutions. The necessary shareholding of requisitionists is altered by sect. 114, which provides that a requisition for an extraordinary general meeting may be made by members of the company holding at the date of the deposit of the requisition not less than one-tenth of such of the paid-up share capital as at the date of the deposit carries the right of voting at general meetings. By this alteration the requisition may not be made or joined in by holders of a class of shares not entitled to vote at general meetings. The meeting must be convened, but not necessarily held, within 21 days from the deposit of the requisition, and if the directors fail to convene the meeting, the requisitionists or any of them representing more than one-half of the total voting rights of all of them may convene a meeting, to be held not later than three months from the date of the deposit. Any reasonable expenses incurred by the requisitionists by reason of the failure of the directors to call the meeting are to be repaid to them by the company, and to be retained by the company out of any sums due or to become due by way of fees or other remuneration to such of the directors as were in default.

The provisions of the Act of 1908 for the calling and conduct of meetings where the Articles make insufficient or no provision therefor, are varied by sect. 115, under which a meeting may be called

by two or more members holding not less than one-tenth of the issued share capital.

It is clear that a director who resigns from an unsuccessful concern, or because he is aware of something going on that is unlawful, cannot in that way escape liability for the consequences of anything that he has allowed to go on before resigning. His plain duty is to move for an injunction against his co-directors. Failure to do so would not be cured by resignation.

## Society of Incorporated Accountants and Auditors.

South African (Northern) Branch.

### ANNUAL MEETING.

The annual meeting of this Branch was held in Johannesburg, on March 27th.

There were present: Mr. L. A. Whiteley (in the chair), Mr. O. F. Brotherton, Mr. J. H. E. Wilson, Mr. J. Stewart, Mr. S. R. Barnes, Mr. G. Garthwaite, Mr. A. L. Palmer, Mr. C. Hewitt, Mr. E. J. Trollip, and the Secretary, Mr. D. P. C. Blair.

The Secretary having read the notice convening the meeting,

The Chairman, in moving the adoption of the Report and Accounts for the year 1929, said:—

### CHAIRMAN'S ADDRESS.

The report of the Committee and the audited accounts for the year ended December 31st, 1929, have been circulated among members, and no doubt you have all taken the opportunity to peruse their contents. The accounts reveal a surplus of income over expenditure of £14 2s. 8d., and at the close of the year there was a sum of £451 5s. 2d. on deposit and with the bank on current account, so that the financial position can, I think, be regarded as satisfactory.

There were 125 members on the roll of the Branch at December 31st, 1929, an increase in comparison with the figure for the previous year of five. I regret to have to report the deaths of Mr. F. W. Diamond, Mr. M. B. Gardner, Mr. A. Hewitt and Mr. D. J. Green. Mr. Diamond, Mr. Gardner and Mr. Hewitt had all served on the Committee at different times.

### EXAMINATIONS.

The results of the two examinations held during the year were as follows:—

At the May examination five sat for the Final, and two passed; ten sat for the Intermediate, and three passed; four sat for the Preliminary, and three passed.

At the November examination four sat for the Final, none of whom were successful; twenty sat for the Intermediate and nine passed; three sat for the Preliminary, and three passed.

Taking the results of the two examinations together, out of nine candidates who took the Final, two passed (22 per cent.); out of 30 candidates who took the Intermediate, twelve passed (40 per cent.); of the seven candidates for the Preliminary, six were successful in satisfying the Examiners that they had reached the educational standard demanded of those who seek to take articles under the regulations of the Society.

Twenty-three sets of articles were registered during the year, making a total of 78 for this Branch over the last four years.

The results of the Intermediate and Final examinations cannot be regarded as otherwise than disappointing. The papers are admittedly set with the object of thoroughly testing the knowledge of the candidate, and without careful study, combined with adequate practical experience, the chances of a student satisfying the Examiners are slender indeed. It has been suggested to me that a high order of intelligence is required if success in our examinations is to be achieved. This I need hardly say is the case, but excellent tuition facilities are now available at the Witwatersrand University, and through private schools and individuals, and if these are taken advantage of and the candidate applies himself steadily to his studies he need have no fear of the result.

The Society has recently issued a useful little syllabus dealing with the subject of examinations and with the conditions for obtaining the qualifications of an Incorporated Accountant. I would advise students to take the opportunity of perusing this pamphlet, copies of which can be obtained from the Secretary (Mr. Blair). Whilst on this question of examinations, I might mention that the Committee have recently had under consideration the possibility of effecting some improvement in the present method of setting the papers to be taken by South African students. As you are aware, it has been the practice to substitute questions on accounts which involve a knowledge of English Law for questions of the same standard dealing with South African law and practice. This method has not always proved satisfactory, and the Council in England have been asked to consider whether some rearrangement is possible under which the accounts papers would be divided into two parts—one dealing with purely accounts questions to be set by the English Examiners and marked by them, the other comprising questions on accounts involving law subjects which would be set in South Africa. The Council are ever ready to recognise our difficulties, and we have no doubt that some satisfactory solution of the matter will be arrived at.

#### THE DESIGNATION "INCORPORATED ACCOUNTANT."

During the year the Western Committee of our Society instituted proceedings in the Supreme Court of South Africa against a member of a recently constituted body styled "The Institute of Accountants of South Africa Limited" for employing the designation "Incorporated Accountant (South Africa)." The respondent contended that by adding the words

"South Africa" his Institute was following the precedent created by the Chartered Accountants' Designation Private Act of 1927, and that such qualification adequately differentiated between members of the Institute of Accountants of South Africa Limited and members of our Society. In his Judgment, Sutton (J.) dealt with these contentions. He expressed the view that the action of the respondent in using the term "Incorporated Accountant" was calculated to deceive the public, and that the fact that it was found necessary to obtain legislative authority for the use of the designation "Chartered Accountant (South Africa)" seemed to indicate that, without such authority, the use of the designation would have been illegal. An order restraining the respondent from describing himself as an "Incorporated Accountant" was granted.

More recently our attention was drawn to an advertisement which appeared in an issue of the *Bloemfontein Friend*, under which the International Accountants' Corporation and Book-keepers' Institute of Australasia purported to confer the degree of Incorporated Accountant (S.F.A.I.) upon its members. The Registrar of this body was immediately advised of the various judicial decisions, including the decision in the Supreme Court of South Africa, which I have just referred to, under which it had been held to be illegal for persons other than members of our Society to use the designation "Incorporated Accountant." He was further warned that legal proceedings would be instituted in the event of any infringement of our title. In reference to these two attempts to employ our designation, I would say that members of our Society have practised as Incorporated Accountants, both in the United Kingdom and in South Africa and other Dominions, for many years.

The Society has a membership of approximately 5,000, of which there are about 300 resident in South Africa, and the designation "Incorporated Accountant" is well known throughout the Union as indicating membership of this Society. The description is held in high regard in business and financial circles, and your Committee will not hesitate to take instant steps in all cases where it is found that unauthorised persons are adopting a title likely to create the impression that they are members of our organisation and thus cause confusion and misapprehension on the part of the public.

#### SOUTH AFRICAN ACCOUNTANTS' SOCIETIES.

You may already have heard that at a Congress of Representatives of the South African Accountants' Societies held recently in Johannesburg it was decided to submit to the various Councils, and, if passed by them, to the general bodies of members, certain amendments to the bye-laws. Our Society is specially interested in one of these amendments, which, if passed, would exclude from membership of the local Societies, and in particular those in the Transvaal and Natal, where compulsory registration exists, such of our members as qualify by examination in South Africa. It seems clear that the intention is to make it impossible for us any longer to hold the examina-



tions of our Society in South Africa. Well, gentlemen, we can claim without fear of contradiction to have been the pioneers of the profession in this country. We started holding examinations in South Africa nine years before the Transvaal Society of Accountants came into existence, largely through the efforts of the members of this Society and of the Institutes of Chartered Accountants in Great Britain. We have to-day 82 articled clerks registered with this—the Northern Branch—compared with 86 serving articles under the regulations of the Transvaal Society of Accountants. The Ordinance under which the Transvaal Society was constituted makes it clear that its principal function is to provide for the registration of those entitled to practise as accountants so as to distinguish qualified from unqualified persons, and the bye-laws lay down that membership of the Society of Incorporated Accountants and Auditors (incorporated in 1885) shall entitle applicants to admission to the Transvaal Society of Accountants. I think I need say no more on the subject except to mention that any amendments of the bye-laws must be adopted at a general meeting of the Society by a majority of two-thirds of the members present and thereafter receive the assent of the Governor-General. Your Council is watching the position, and, if necessary, you will be advised of any steps which it is proposed to take for the protection of the interests of the Society.

During last year I paid a visit to England and called at the Headquarters of the Society, which are situated on the Thames Embankment. There I received a courteous welcome from Mr. Garrett, the Secretary, and we had a very interesting chat on matters of special interest to us in South Africa. Members visiting England should make a point of calling at Headquarters, where they will be made very welcome. In conclusion, I would like to express my thanks to my colleagues on the Committee for their assistance during my year of office, and in this connection I would like specially to mention Mr. Stott and Mr. Hewitt, who shouldered a good deal of extra work owing to my absence overseas. I also wish to convey my thanks to Mr. Blair, our Secretary, whose unremitting zeal for the interests of the Society is greatly appreciated by us all.

I now beg formally to move the adoption of the report and accounts.

Mr. C. Hewitt seconded, and the motion was carried unanimously.

The only nominations being those of the retiring Committee, the Chairman declared Mr. Aiken, Mr. M. Dreyer, Mr. Palmer, Mr. E. C. Lowe, Mr. C. Hewitt, Mr. L. A. Whiteley, Mr. Barnes, Mr. Stott, Mr. Stewart and Mr. Hogg re-elected.

On the motion of Mr. J. H. E. Wilson, seconded by Mr. A. L. Palmer, Mr. O. F. Brotherton was re-appointed Auditor.

A vote of thanks to the Chairman for presiding, and to the retiring Committee, was carried unanimously, and the meeting then closed.

## DEDUCTION OF INCOME TAX.

The following is a copy of a memorandum issued by the Board of Inland Revenue in relation to the deduction of Income Tax for the year 1930-31 in paying dividends, interest, &c. :—

1. Under a Resolution of the House of Commons passed in Committee of Ways and Means and having statutory effect under the provisions of the Provisional Collection of Taxes Act, 1913, the standard rate of Income Tax imposed for the year commencing April 6th, 1930, is 4s. 6d. in the pound.

2. Accordingly Income Tax is deductible by reference to the rate of 4s. 6d. in the pound in respect of all payments of dividends, interest, annuities, ground rents, &c., made on or after April 6th, 1930, with the exception of—

(a) Payments made out of taxed sources which became due before April 6th, 1930, and

(b) Certain payments in respect of lands and heritages in Scotland due for the period ending on May 15th, 1930.\*

In this connection attention is drawn to the changes in the law with regard to the deduction of tax made by sect. 39 of the Finance Act, 1927. Under the provisions of that section, which took effect as from April 6th, 1928, Income Tax is deductible from dividends, interest, annuities, ground rents and other annual payments† paid out of taxed sources by reference to the standard rate for the year in which the amount payable becomes due,\* and not, as under the law previously in force, by reference to an "accruing rate."

3. In the case of dividends and interest payable out of any public revenue or in respect of the shares or securities of Foreign or Colonial Companies, entrusted to an agent in the United Kingdom for payment in the United Kingdom on or after April 6th, 1930, and also the like dividends or interest which, although not entrusted to such an agent for payment, are realised on or after that date through Bankers, Coupon Dealers, or other persons in the United Kingdom, Bankers, Agents, or other persons who have made payments since April 5th, 1930, and have deducted tax by reference to a rate less than 4s. 6d. in the pound, will be required to furnish to the Commissioners of Inland Revenue lists containing the names and addresses of the persons to whom the payments have been made and the amounts of such payments.

4. As regards payments other than those referred to in the preceding paragraph, which became due on or after April 6th, 1930, but from which tax has been deducted by reference to a standard rate less than the standard rate of 4s. 6d. in the pound imposed for the year 1930-31, attention is drawn to the following provisions, and particularly to the new provisions in regard to dividends paid out of profits of companies in the United Kingdom, contained in the Resolution set out in (ii) below :—

(i) Sect. 211 (2) of the Income Tax Act, 1918, which provides that "any person liable to pay any rent, interest, or annuity, or to make any other annual payment, shall be authorised to make any deduction on account of tax for any year of assessment which he has failed to make previously to the passing of the Act imposing the tax for that year, or to make up any deficiency in any such deduction which has been so made, on the occasion of the next payment of the rent, interest or annuity, or making

of the other annual payment, after the passing of the Act so imposing the tax, in addition to any other deduction which he may be by law authorised to make, and shall also be entitled, if there is no future payment from which the deduction may be made, to recover the sum which might have been deducted as if it were a debt due from the person as against whom the deduction could originally have been made if the Act imposing tax for the year had been in force"; and

(ii) The following Resolution of the House of Commons passed in Committee of Ways and Means, and having statutory effect under the provisions of the Provisional Collection of Taxes Act, 1913 :—

*Provisions as to Over-deductions and Under-deductions of Income Tax.*

"(a) Sub-sect. (2) of sect. 211 of the Income Tax Act, 1918† . . . shall be amended so as to apply to—

"(i) Preference dividends payable at a fixed gross rate per cent. (including in any case where dividends are payable partly at such a rate and partly at a variable rate, such part of the dividends as is payable at a fixed gross rate per cent.) in respect of which a deduction may be made under Rule 20 of the General Rules ;

"(ii) Payments for or in respect of copyright to which sect. 25 of the Finance Act, 1927, applies ; and

"(iii) any royalty or other sum paid in respect of the user of a patent ;

"(b) Where on payment of a dividend, other than such a preference dividend as aforesaid, income tax has, under Rule 20 of the General Rules, been deducted therefrom by reference to a standard rate greater or less than the standard rate for the year in which the dividend became due, the net amount received shall, for all the purposes of the Income Tax Acts, be deemed to represent income of such an amount as would, after deduction of tax by reference to the standard rate last mentioned, be equal to the net amount received, and for the said purposes there shall be deemed to have been paid in respect of that income by deduction tax of such an amount as is equal to the amount of tax on that income computed by reference to the standard rate last mentioned."

C. GORDON SPRY,  
*Secretary.*

INLAND REVENUE,  
SOMERSET HOUSE, LONDON, W.C.2.

April 15th, 1930.

\* In the case of feu duties, bond interest, &c., payable in respect of lands and heritages in Scotland deductions in respect of Income Tax made from any payments due for the period ending May 15th are to be made at the rate of tax in force at the commencement of that period.

† The provisions of the 1927 Act did not affect the deduction of tax from payments of rent made by a tenant occupier to his landlord. A note with regard to the deduction of tax from such payments will be found in the demand notes issued by Collectors of Taxes.

† See (i) above.

## ACCOUNTANT'S COMMISSION DISPUTE

A dispute between two accountants arising over the question of commission came before Mr. Justice Rowlatt in the King's Bench Division last month.

The plaintiff was Mr. Arthur Charles Sudbury, of "Minnedosa," Heybridge Basin, Maldon, Essex, and he claimed for an account of all commission due to him from the defendant, Mr. Joseph Charles Sherrott, of St. Olave's House, Ironmonger Lane, London, E.C., a Chartered Accountant.

Mr. Melford Stevenson, who appeared for the plaintiff, stated the claim arose as a result of clients introduced by plaintiff to defendant. Before the war Mr. Sudbury and Mr. Sherrott were carrying on business as accountants, but the time came when both of them had to enrol under the Derby Scheme. A verbal arrangement was made the effect of which was that the one who did not go to the war would look after the business of the one who did. Mr. Sudbury went to the war and an agreement was drawn up that Mr. Sherrott should take over as many of Mr. Sudbury's clients as he could and pay plaintiff one-third of the fees he received. Counsel added that two writs had been issued in respect of this claim, the first in 1920 and the second in 1928.

The defence was a denial of all the allegations of the plaintiff, and the Statute of Limitations was also raised as a defence.

Mr. Sudbury gave evidence bearing out counsel's opening statement. He agreed that he was in defendant's employ as a clerk after the war and he ascertained that clients he introduced to defendants were still Mr. Sherrott's clients after the war.

Cross-examined by Mr. Josiah Oddy, Mr. Sudbury agreed that he was made bankrupt in 1916 on a moneylender's petition filed in 1915.

Mr. Oddy : Was it in trying to escape the bankruptcy officials that you went into the army ?—No. The Official Receiver knew the unit I joined.

Mr. Sherrott, in evidence, stated that he was a Fellow of the Institute of Chartered Accountants. Witness said when he took over plaintiff's clients there were no definite terms. No document or agreement of any description was drawn up, and the whole of the evidence of plaintiff on this matter was purely imaginary. He paid plaintiff £50 and he thought the matter then came to an end. On an account if it was taken now Mr. Sudbury would be found to be indebted to him.

Cross-examined by Mr. Melford Stevenson, defendant said that in his view the £50 he paid plaintiff was *ex gratia*, and he was not bound to pay it at all.

Giving judgment, Mr. Justice Rowlatt said he could make nothing out of the case. The functions of the Court were limited to legal rights and legal relief. Some people had an idea they could come to the Court, talk round a matter and ask for something to be constructed out of the air. That was quite wrong. No agreement had been proved, and he had no material to go upon. He did not think the case was made out on behalf of the plaintiff, and he was sorry that some small sum had not been given to him in settlement. The only thing he could do was to dismiss the action.

The action was accordingly dismissed with costs.



## THE BUDGET.

### CHANCELLOR'S SPEECH.

The following is the text of Mr. Snowden's Budget speech in so far as it relates to Revenue for 1930-31 and proposed new taxation:—

I turn now to the revenue side of the accounts. I estimate the Customs and Excise receipts for 1930, on the basis of the existing taxation, at £250,000,000, which is £400,000 less than the estimate of last year, but over £2,500,000 more than was received. I have allowed for a fall in the receipts from spirits of £1,500,000 below the actual receipts last year, but for an increased yield of about £800,000 from beer over last year's actual receipts. Hon. Members who were in the House last year will remember that my predecessor estimated for a fairly considerable increase from the Beer Duty, which was not fully realised. I estimate the revenue from tobacco at £63,200,000, which is only £400,000 more than the revenue last year; but in this case there were forestalments which somewhat inflated last year's revenue at the expense of this year's. For sugar, I should normally estimate for a small decrease in revenue, due to an increase in the consumption of home and Empire sugar, which pays lower rates than foreign sugar. There was, however, a substantial postponement of revenue in 1929, probably over £1,000,000, which benefits this year. Allowing for this, I estimate an increase of over £2,000,000. As hon. Members know, postponements or forestalments count two upon a division. In comparing the years affected I have allowed for moderate increases in other items and for some decreases, particulars of which will be found in the White Paper which will be available when I sit down. For Inland Revenue I estimate a yield of £239,000,000 in Income Tax, £57,000,000 from Sur-tax, £80,000,000 from Death Duties, £27,250,000 from stamps, and £2,500,000 from the remaining duties of Land Tax, Mineral Rights Duty, Excess Profits Duty and Corporation Profits Tax—giving a total for Inland Revenue of £405,750,000. The Income Tax estimate of £239,000,000 looks to a small increase of about £1,500,000 over the yield of last year. The information on which it is based includes many forecasts of their profits by trading concerns, and I should like to take this opportunity of acknowledging the assistance that they always give so readily to the Revenue Authorities. These and other data point to the conclusion that, taken over the whole field, the trading profits of the year 1929, which will be the basis of the tax for 1930 are about the same as the profits for the year 1928, and accordingly I look for no more than the present yield in that part of the Income Tax that comes from the taxation of trading profits. The small increase in my estimate is due to the growth of other items in the field of charge.

As regards the other Inland Revenue Duties, the only estimate that calls for special mention is the figure of £80,000,000 for Death Duties. In looking

for £80,000,000, I hope to obtain much the same as was received last year and the year before. This is so much higher than the yield of preceding years that I dare not count on any natural expansion this year. The Exchequer share of Motor Vehicle Duties I put at just under £5,000,000—£4,970,000. That makes a total tax revenue—the estimates of which I may say I have made on a conservative basis, not on a Tory basis—on the existing basis of £660,720,000.

Now as regards non-tax revenue, the net receipts from the Post Office—I hope the Committee will not shout "Penny post"—I estimate at £10,125,000; from Crown lands, £1,300,000, both showing an increase over last year. Receipts from Sundry Loans I expect to yield £33,000,000, or nearly £2,500,000 more than last year's estimate, which was exceeded by the actual result. But in any case the payment in respect of French War Debt is due to increase in the present year from £10,000,000 to £12,500,000. Miscellaneous Receipts, under which I propose to combine the two items hitherto known as Miscellaneous Ordinary and Miscellaneous Special Receipts, I estimate at £34,500,000. This is £4,000,000 less than the Budget estimate of last year. Receipts from Reparations will, owing to the transition from the Dawes to the Young plan, involving a reduction in the total German annuities, be £15,500,000 as against £19,300,000 estimated last year, and some further reduction in the estimate of miscellaneous revenue has been made because I can no longer expect those unforeseen items of the relics of the War to be as fruitful in their yield as in past years.

The total revenue for 1930, on the basis of existing taxation, I thus calculate at £739,645,000. The total expenditure I have already given as £781,909,000. The difference which I have to make good is £42,264,000. I will give the Committee one moment from which to recover from the shock of that statement. The amount is large, but for the current year there are, at any rate, resources available to reduce it.

### Rating Relief Suspensory Fund.

I have already mentioned the cost this year of the de-rating scheme. The Committee will be aware that the new taxation imposed in connection with this scheme began about 18 months before the expenditure and that my predecessor therefore was enabled to set up what was called the Rating Relief Suspensory Fund. This Fund was intended to meet the excess of the cost of the de-rating scheme in later years over the yield of the Petrol Duty. This excess in the present year I put at £16,000,000 and, with the aid of that sum, the prospective deficit is reduced to £26,264,000. But I should like the Committee to be perfectly clear as to the true nature of this Suspensory Fund. There is no cash in the Fund that has not already been borrowed in reduction of the Floating Debt to the market. The money can now only be found by allowing the debt to rise by a corresponding amount. The Fund was merely a device for making

later Budgets look better. The deficit of £42,250,000 in 1930 is just as real as if the Fund had never existed.

We shall be meeting current expenditure to the extent of £16,000,000 by increased borrowing from the public on the excuse that we had surpluses of that amount in the past, and in any case the accumulated Suspensory Fund is little more than adequate to cover the deficit on the first full year's working of the scheme. In 1931 only £4,000,000 will be available, and, of course, nothing in later years. I am not criticising the position, but only recording the fact that this consideration is obviously of the most serious importance. Although we can treat the deficiency for this year as £26,250,000 by using £16,000,000 from the Suspensory Fund, that relief will drop to £4,000,000 next year, and to nil thereafter. The only comfort, and it is a small one, is that the increase in the commitment next year fits in with the fact that new taxation, which I am afraid is unavoidable, does not give its full yield in the year in which it is first imposed. I am departing from the policy of recent years which has been acted on the precept of postponing the evil day. My proposals this year will be framed in such a way that whatever the revenue they yield this year, they will yield greater sums in 1931 and later years in order to meet this legacy of indebtedness. I shall thus, without adding anything this year to taxation for the de-rating scheme, make prospective provision for meeting its cost when the Suspensory Fund is exhausted, without any addition to taxation for this purpose in future years.

#### Additional Debt Redemption.

I will now revert to the measures I propose to deal with the deficit of £14,500,000 of last year. After full consideration, I propose to make a special provision for additional Debt redemption of £5,000,000 this year, £5,000,000 next year, and £4,500,000 in 1932. The financial circumstances in which we are placed do not permit me to put a heavier burden on this year.

#### Betting Duty (Abolition).

It will be convenient now if I deal with one or two matters of minor financial importance which have a bearing on the amount I have to raise this year. I propose to abolish the last vestiges of the inglorious Betting Duty. The Committee will remember that this tax was introduced in 1926, accompanied by fees payable by bookmakers for personal certificates. The tax on bets was not a brilliant success and was finally abandoned in the last Budget. There remained in force the duty of £10 payable on bookmakers' certificates, which had been imposed for the protection of the tax on bets. I propose now to repeal the duties on the certificates, so that the Statute Book will once more be entirely free from the blemish of a Measure that ought never to have appeared on it. The present certificates will therefore be allowed to run out at the end of October next and will not be renewed. This will cost £200,000 in a full year and £180,000 this year.

#### Safeguarding and Import Duties.

I must say a word about the Safeguarding Duties. Let me say in passing that these duties are not primarily revenue duties. Under the Acts imposing these duties four of them are due to expire this year, namely, the duty on lace on June 30th, the duties on cutlery, gloves and gas mantles on December 21st. As we have already announced, we propose to honour the intention of the late Prime Minister and allow the duties to continue until these respective dates, but not to renew them. The consequential loss of revenue will be £521,000 this year, and £823,000 in a full year. As these duties are due to expire under the existing law passed by the late Government, the loss of revenue has already been allowed for in computing the estimates of Customs and Excise revenue for the current year.

I may be expected to say something about the McKenna Duties and the Silk Duties. These were imposed by my predecessor as revenue duties, and they bring in a revenue of nearly £10,000,000 a year. I regret that the financial position I have inherited—(Interruption)—there is time for me to alter my mind yet—will not permit me to repeal these duties in the present Budget, but the pledges of the Government given last year still stand. Likewise, the financial position will not permit me to carry out this year our pledge to remove all the existing food duties, but I reaffirm the statement that I made on behalf of the Government eight months ago, that it is our intention to do so before this Parliament ends—four years hence.

#### Stamp and Motor Licence Duties.

The Finance Bill will contain certain proposals for minor reliefs from Stamp Duties as they affect certain schemes of rationalisation and amalgamation. The cost of these proposals is estimated at about £250,000. I also propose to make the small alterations with regard to motor licences which were proposed by the Right Hon. Gentleman last year. These affect motor cycles, commercial vehicles of between two and two-and-a-half tons, and petrol-electric vehicles. The changes will take effect from July 1st next in the first two cases, and from January 1st next in the case of petrol-electric vehicles. The cost will be small, about £20,000 a year to the Exchequer and about £90,000 to the Road Fund.

#### Estimated Deficit.

I will now summarise the position that I have to deal with. After allowing for the transfer from the Suspensory Fund, I was left with a prospective excess of expenditure over revenue of £26,264,000. Allowing for the provision to be made towards the deficit of last year, that is to say, £5,000,000, and the small loss of revenue due to the concessions I have just mentioned, this figure becomes £31,714,000.

#### Beer Duty.

In my search for additional revenue, I look first to beer, on which alone among alcoholic liquors the duty has been reduced since the War. The existing



duty on beer is £5 per standard barrel, that is to say, 36 gallons at the standard gravity of 1,055, less the rebate which was granted in 1923 of £1 per bulk barrel, that is to say, 36 gallons, whatever the gravity. To put back the taxation to the figure at which it stood before the reduction in 1923 would give me £15,000,000 a year. I shall disappoint the unanimous expectations of Press forecasts if I do not impose also an additional 2d. a gallon on petrol. I may say that I do not propose to do either of these things. With regard to beer, though personally I would much like to see the vast sums that are now spent on alcoholic liquors diverted to more useful purposes, I recognise that those who spend these sums, often from very inadequate means, contribute to the national revenue, in the main, out of all proportion to their means, and I do not think it would be fair to tax their misapplied expenditure still more. Perhaps the Noble Lady might reserve her enthusiasm until later stages of my speech. I must be content, therefore, with something more moderate. I propose to raise, as from to-morrow, the Beer Duty by 3s. per standard barrel, leaving the rebate unaltered. That is an increase of 1d. per gallon, which is, of course, too small to justify any alteration in retail prices; but, even so, it would prove ineffective as a revenue instrument if it led to a drop in gravities, that is to say, in the strength of the beer as now supplied. On this point I may inform the Committee that I have received assurances from the brewers, whose attitude in the matter I desire to acknowledge, which make it unnecessary for me to anticipate any such result. The yield of the additional duty is estimated at £3,100,000 in a full year, and £2,750,000 in the current year.

#### Changes of Inland Revenue Law.

This, of course, does not go very far towards meeting a requirement of £31,714,000, and, in fact, I am left with practically £29,000,000 still to find. Before I submit to the Committee my main proposals for raising this amount, perhaps it will not be out of place if I proceed first to outline certain proposals that I desire to make, which are directed primarily to strengthening and improving the taxation code rather than to the provision of the additional revenue that is required. The most important of these proposals relate to the legal avoidance of direct taxation. The Committee will agree with me that, where taxation is heavy, Parliament must strive to hold the balance fairly. The Right Hon. Gentleman dealt in 1927 with avoidance of Super-tax. He then stated his intention to deal later with the avoidance of Estate Duty, but he was not able to pursue his wish. I propose legislation to prevent avoidance of Estate Duty on landed estates and investments through the medium of private companies. Further, I shall ask the Committee to deal with the avoidance of Sur-tax by single premium insurance policies, and to give the taxing authorities rather wider powers of obtaining information in regard to the ownership of income. As regards single premium policies, I am proposing a Resolution

which is necessarily wide in its terms; but this need excite no alarm in the minds of hon. Members. When they have the Finance Bill before them, they will see that all necessary precautions have been taken against any interference with ordinary life insurance, and that it is not proposed to go farther than is necessary to protect the Exchequer against transactions, not only calculated to avoid, but aimed at the avoidance, of liability to Sur-tax. These are matters of some complexity, and if for that reason I say no more about them now, there will be plenty of other opportunities of examining them in detail.

In addition to these proposals with regard to tax avoidance, the Finance Bill will contain a number of provisions relating to Inland Revenue Duties which it may be convenient for me to touch upon at this stage. I propose an alteration of the law in regard to the liability of non-resident persons trading in this country through agents. There is no question that more urgently calls for uniform treatment by all countries that levy an Income Tax than that of taxing the foreigner who trades through an agent. British traders in foreign countries regularly encounter difficulty by reason of the view taken by those countries as to the proper solution of the question. It is important, therefore, that we should have our own house in order if we are to ask for fair treatment for our traders abroad. I propose to amend the law so as to make it possible to make reciprocal arrangements with foreign countries, under which a foreign principal would only be chargeable in respect of his profits on the sale of goods through an agent here in cases where the agent either sells from stock or is empowered to conclude contracts on his principal's behalf, and does in fact habitually exercise that power as part of the normal course of business.

I propose in the Finance Bill to seek powers to take preparatory steps in the current year for a new assessment of all property in Great Britain for Income Tax Schedule A. This will come into force next year, and will include the Metropolis. In the Metropolis, valuations for Schedule A are linked up and dependent on the valuations made for purposes of rating. I propose to alter this, and to provide for a separate valuation for Schedule A, as distinct from the rating valuation, thus bringing the Metropolis into line with the rest of the country. The last re-assessment related to the year 1923-24, so that a new assessment is now fully due, and I propose that as from 1931-32 onwards, the re-assessment shall take place automatically at quinquennial periods.

The Finance Bill will contain several minor provisions amending the Inland Revenue laws, generally to deal with points of hardship or very slight readjustment. One of them aims at removing the hardship which may occur under the present Income Tax law when a new concern commences business with a very profitable year, and, although the change requires a Resolution, its general effect is in the direction of a concession to the taxpayer.

### Changes in Taxation.

Now with regard to raising the revenue. The Inland Revenue proposals which I have just described will not affect this year's revenue to any appreciable extent, and we are, therefore, still confronted in our balance-sheet with an excess of expenditure over revenue, at existing rates, of £28,964,000. My friends, and all who know my fiscal views, will not be surprised to hear that for this amount I shall look to direct taxation. I propose an increase of 6d. in the standard rate of Income Tax. I shall, however, revise the existing graduation so as to protect small incomes, whether earned or investment, from additional liability. Instead of following the ordinary course of giving a relief of 2s. 3d. on the first £225 of taxable income, I shall give a relief of 2s. 6d. on the first £250. This change in the graduation has rather remarkable results. It has the important effect that about three-quarters of the whole number of Income Tax payers will not be affected by the increase in the rate. Let me illustrate its effect on small incomes. There will be no increase in the Income Tax bill of unmarried or widowed persons with income, all investment, not exceeding £485 a year, or with income, all earned, not exceeding £582. A married man with three children will not be called upon to pay more tax unless his income, if investment income, exceeds £735, or unless the income, if earned, exceeds £882. Under these points, and, of course, under even higher points where there are more than three children, the Income Tax bill will be the same as it was last year, or for some people even a trifle less. I have prepared a comprehensive table which will appear in the White Paper showing the effect of these changes upon various incomes and the poundage of the Income Tax in those cases.

I should like at this point to mention a widespread delusion as to the burden of Income Tax, although I am sure it will still conveniently survive. Every Income Tax payer talks as if he paid 4s. in the £ on all his income. Not one Income Tax payer in 50 pays at that rate. Out of the 2,250,000 who pay something in Income Tax there are not 50,000 who pay at 4s. in the £. No person with an income below £3,000 a year pays the full rate, and the great majority do not pay more than from a few pence to 2s. in the £.

As regards life insurance allowance I propose to leave the old rates of 2s., 3s. and 4s. unchanged. For the overwhelming majority of taxpayers the gain from the change of graduation will be found to outweigh any loss due to the retention of the old rates of life insurance relief. The increase in the standard rate necessitates special provisions in regard to deduction of tax from dividends paid out of the taxed profits of companies. Up to 1927 tax was deductible from these dividends at the accruing rate over the period in which the profits were earned. As part of the Right Hon. Gentleman's scheme for simplification of the Income Tax, it was enacted in the Finance Act of 1927 that tax should be deductible from dividends at the rate in force at the time of payment. This creates a difficulty especially

in the case of companies who pay their dividends about this time of the year. They may have paid them before the increase was known or they may have reached such a point in the preparation of the warrants that it would be impracticable to make the change. I propose that this opportunity should be taken to put on the Statute Book provisions which will meet this small difficulty once and for all, not only in the case of an increase in the rate but also in the happy eventuality of a decrease at some further date.

The extra sixpence standing alone would produce about £29,000,000 in a full year. Allowing for the cost of the change in graduation, which amounts to £5,000,000, that I propose, it will produce about £24,000,000 in a full year and £21,000,000 in the current year. I am still about £8,000,000 short of my requirements for the year.

I now come to the other part of the Income Tax which used to be called Super-tax but which my predecessor has re-christened Sur-tax. One of the most curious features of the simplification of the Income Tax which was carried out at the instance of the Right Hon. Gentleman is that the rates at which Sur-tax is payable in any year are laid down in the Finance Act of the preceding year. This is an anomaly that I propose to bring to an end. I propose to put the Sur-tax on the basis on which all taxation should be, namely, that the rate of the tax payable in any year falls to be determined by the financial needs of that year. The increase in the standard rate of Income Tax is, of course, borne by the Sur-taxpayers as well as other Income Taxpayers, but the financial needs of the current year are such that I feel bound to call on the Sur-taxpayer to supplement his additional payment of Income Tax by an additional payment of Sur-tax in this year. I propose an increase of rates. Particulars will be set out in detail in the White Paper. It increases the initial rate from 9d. to 1s. in the £, and the rate on that part of the income in excess of £50,000 a year from 6s. to 7s. 6d. This will yield £12,500,000 in a full year and £7,500,000 in the current year.

I have now to turn to the other main item of direct taxation—the Death Duties. The Estate Duty stands out among all our taxes in its extraordinary expansion since the War. At the termination of the War the yield of the Estate Duty stood at less than £25,000,000. This was levied on a capital passing at death of less than £300,000,000. The capital coming under charge to Estate Duty has now passed £500,000,000, and the yield of Estate Duty has reached £70,000,000. I propose that for all estates exceeding £2,000,000 the rate of duty shall be increased from 40 to 50 per cent. I propose to amend the existing scale from £120,000 upwards by increases of either 1 per cent. or 2 per cent. from £120,000 to £250,000 with a growing increase from £250,000 onwards to reach a rate of 50 per cent. on estates exceeding £2,000,000. The new scale will give a harmonious progression, and its details will also be found in the White Paper. It is estimated



that it will yield about £7,000,000 in a full year and £3,000,000 in the current year.

The total effect of the changes in Income Tax, Sur-tax and Estate Duty which I have just described is to yield a revenue of £31,500,000 in the current year and £43,500,000 in a full year.

#### Final Balance Sheet.

I am now in a position to present a final balance-sheet. I gave the figures of expenditure as £781,909,000. I must add the provision for the deficit for 1929 of £5,000,000 and also make a small readjustment for the Northern Ireland share of increased taxation—£300,000. The total thus becomes £787,209,000. Revenue on the existing basis was £739,645,000. As I said earlier, the variation attributable to the lapsing under the existing law of certain Safeguarding Duties has already been allowed for. The minor changes I have mentioned involve a loss altogether of £450,000. These are the increases this year: Beer Duty, £2,750,000; increases of direct taxation, £31,500,000; Suspensory Fund, £16,000,000. The resultant figure is a revenue of £789,445,000. It yields a small surplus of £2,236,000, which I must retain for contingencies.

#### Land Values.

I should disappoint not only Members on this side of the House, but also many Members of the Liberal party and an increasing number of individuals and local bodies throughout the country if I were to say nothing on the subject of land valuation and land taxation. In my Budget statement of 1924 I indicated that this was a matter with which I intended to deal. Had the Labour party remained in office in the following year proposals relating to the subject of land values would have been introduced. Since then the right of the community to some portion of the enhanced value of land which is created by the community itself has been increasingly recognised, and the moment has arrived when definite action must be taken. I have been much impressed by the demands which have come to me from innumerable local bodies including many that are overwhelmingly Tory in their constitution for power to rate site values. As hon. Members will appreciate, the first and essential step to the levying of a contribution on land values is the preparation and completion of a valuation of all sites in the country. In whatever form a contribution may be levied, this is an indispensable preliminary. It is in itself a task that must necessarily take some time, and it is imperative that a beginning should be made at the earliest possible moment. I have given long and anxious consideration, with the invaluable help of my Hon. Friend the Financial Secretary and my Right Hon. Friend the President of the Board of Education, assisted by an official Committee, to every aspect of this question, and especially to the best method by which our plans could be put before Parliament. I had at one time hoped to put my proposals into the Finance Bill of the year, but many considerations which I need not detail now have brought me to the

conclusion that the most expeditious and effective way of achieving our aim will be to provide for the valuation in a separate Bill.

The Government accordingly propose to introduce forthwith such a separate Bill. We shall thus obtain a basis on which an impost will later be levied. I do not wish at the present time to pre-judge the precise form which that impost should take—whether it should be an annual tax for the benefit of the State, or an annual rate for the benefit of the local authorities, or both; but the Valuation Bill we shall introduce will provide the basis for both the taxation and rating of land values. I have tried to make it quite plain and beyond dispute that it is the Government's intention to use the valuation, for which provision will be made in the Bill, as a means of securing to the community a share in the constantly growing value of the land. This is a Measure equitable in itself, insistently demanded and long overdue. I have never regarded the taxation or rating of land values only as a fiscal instrument. It will be, to use a phrase of Mr. Asquith's, a potent instrument of social reform. This proposal is probably the only one of which the Right Hon. Gentleman the Member for Epping (Mr. Churchill) will be enthusiastic in his support. Throughout his long and variegated political career he has remained a faithful, eloquent and powerful advocate of this reform, and I look forward with confidence to his invaluable help in carrying this reform to a successful conclusion.

#### Guiding Principles.

And now, Sir, I have finished. I have encroached on the time of the Committee rather less than is usual upon such an occasion. I have tried to avoid controversial matters and I have eschewed rhetoric and tried to give the Committee a plain business statement, and, I hope, indeed, that I have made it as clear as possible. The Committee now knows the worst. I have had a difficult and an unenviable task. In facing the inevitable increase of taxation I have been guided by two principles. As long as I hold this position I am determined, however burdensome it may be, that the country shall pay its way by honest methods. I will not leave my successor to meet my bills. In imposing additional taxation I have done so by placing the burden on the shoulders best able to bear the weight. I have imposed no direct burden on industry; neither have I taken from the poorest of the land any part of their inadequate means. The additional taxation will fall upon a class to whom it will mean no deprivation of the necessities of life nor even of reasonable luxuries and amenities. I am asking only that the favoured section of the community shall contribute to the needs of the State in proportion to the benefits the State has conferred upon them.

On the other hand, I realise the imperative need of the strictest national economy in the present state of trade and industry, not only to provide employment and comfort for our people, but because primarily it is only from trade and commerce that the national revenue can be derived. I abate not

one jot or tittle in my lifelong advocacy of great schemes of social reform and national reconstruction, but our immediate concern is to make these things ultimately possible out of revived and prosperous industry. To that we must first direct our efforts and devote what resources we can afford to that remunerative purpose.

### Future Prospects.

No man can speak of the future with certainty. Least of all can I give any binding assurance. But at least I can say this. So far as I can see, the steps which I have proposed for balancing this year's Budget will be sufficient to ensure, in the absence of unforeseeable calamities or of heavy increases of expenditure, that no further increases of taxation will need to be imposed next year.

Though, as I have said, I am imposing no new direct burdens on industry, I am fully aware of the psychological effect on trade and commerce of increased taxation even when no material burden is imposed. Recognising this, I am convinced that whatever my views as to the equity of the present distribution of the national wealth, in existing circumstances an essential factor in ameliorating unemployment is a restoration of a spirit of confidence and enterprise among those now responsible for conducting industry and commerce. And to encourage that spirit of confidence and enterprise it is right that, so far as is humanly possible, they should know the probable full extent of their tax burden in immediately ensuing years. For the last eight years we have been passing through difficult times. We are still in the aftermath of the War. I have never despaired in the darkest hour of the future of our country. It is perhaps a happy omen that to-day for the first time since the autumn the unemployment figures show a slight reduction. Although I am optimistic of the future, I do not expect a sudden and immediate change to our former prosperity. But I hope, nay, I am confident, that when I stand at this box next year I shall be able to submit to the House of Commons a much more cheerful and encouraging statement.

### Obituary.

#### EBENEZER THOMAS SOUTHWORTH.

We regret to announce the death of Mr. Ebenezer Thomas Southworth, B.A., A.S.A.A. Mr. Southworth was admitted to the Society in 1901, and was a partner in the firm of A. E. Piggott, Son & Southworth, of 37, York Street, Manchester. His firm carried on a branch at Macclesfield, where Mr. Southworth resided. Mr. Southworth was a very popular member of the Manchester and District Society, in which he always took a very active interest. The death took place suddenly on April 13th as a result of pneumonia.

### NEW ZEALAND SOCIETY OF ACCOUNTANTS

A Convention of the New Zealand Society of Accountants was held in Wellington on February 25th, 26th, 27th and 28th. The Convention was officially received by His Worship the Mayor of Wellington at the Town Hall, after which an address was given by the President of the New Zealand Society.

During the proceedings the following papers were presented :—

"Principles of Public Expenditure," by Professor B. E. Murphy.

"The Profession of Accountancy—Its Development and Future Outlook," by Mr. Ernest W. Hunt.

"Budgetary Control," by Mr. W. H. Nicholls.

"Some Notes on the Art of Presentation," by Mr. M. S. Spence.

A dinner was held on the third day of the Convention, and a number of social entertainments were organised for the members and their ladies.

### CHANCELLOR'S FINANCIAL STATEMENT.

The following Tables are extracted from the Financial Statement for 1930-31 submitted by the Chancellor of the Exchequer when opening the Budget :—

#### ESTATE DUTY.

It is proposed to increase the rates of Estate Duty payable in respect of estates exceeding a net principal value of £120,000 as shown in the following tables. The first table shows the increase in the rates of duty, and the second sets out the scale of rates of duty proposed.

#### Estate Duty—Alteration of Scale.

Principal Value of Estate.		Rate per cent. for each range.		Increase in rate per cent.
		Present rates.	Proposed rates.	
Exceeding	Not exceeding			
£120,000	£140,000	21	22	1
140,000	150,000	22	22	—
150,000	170,000	22	24	2
170,000	200,000	23	24	1
200,000	250,000	24	26	2
250,000	300,000	25	28	3
300,000	325,000	25	30	5
325,000	400,000	26	30	4
400,000	500,000	27	32	5
500,000	600,000	28	34	6
600,000	750,000	28	36	8
750,000	800,000	29	36	7
800,000	1,000,000	29	38	9
1,000,000	1,250,000	30	40	10
1,250,000	1,500,000	32	42	10
1,500,000	2,000,000	35	45	10
2,000,000		40	50	10

#### Alterations in the Law.

It is proposed to charge Estate Duty in certain cases where property has been transferred to a company prior to death, and to make amendments of the existing law relating to the charge of the duty upon shares of a company and objects of national interest passing upon death, and upon the surrender of limited interests in settled property.



## SUR-TAX.

Rates.—It is proposed to make the following increase in the Sur-tax for the year 1929-30 payable on January 1st, 1931:—

							Excess of existing rate over standard rate.	Excess of proposed rate over standard rate.
							s. d.	s. d.
On the first £500 of excess of income over £2,000 (to £2,500)							0 9	1 0
On the next £500 (to £3,000)							1 0	1 3
" " £1,000 (to £4,000)							1 6	2 0
" " £1,000 (to £5,000)							2 3	3 0
" " £1,000 (to £6,000)							3 0	3 6
" " £2,000 (to £8,000)							3 6	4 0
" " £2,000 (to £10,000)							4 0	5 0
" " £5,000 (to £15,000)							4 6	5 6
" " £5,000 (to £20,000)							5 0	6 0
" " £10,000 (to £30,000)							5 6	6 6
" " £20,000 (to £50,000)							6 0	7 0
On the remainder (above £50,000)							6 0	7 6

## INCOME TAX AND SUR-TAX.

Amount of tax, and effective rate of tax per pound of income, on specimen incomes (single persons).

Total Income.	Existing Charge.				Proposed Charge.			
	If income all Earned income.		If income all Investment income.		If income all Earned income.		If income all Investment income.	
	Income Tax (and Sur-tax, if any).	Effective rate.	Income Tax (and Sur-tax, if any).	Effective rate.	Income Tax (and Sur-tax, if any).	Effective rate.	Income Tax (and Sur-tax, if any).	Effective rate.
£	£ s. d.	s. d.	£ s. d.	s. d.	£ s. d.	s. d.	£ s. d.	s. d.
135	Nil	—	—	—	Nil	—	—	—
140		—	0 10 0	0 1		—	0 10 0	0 1
150		—	1 10 0	0 2½		—	1 10 0	0 2½
160		—	2 10 0	0 4		—	2 10 0	0 4
170	0 13 4	0 1	3 10 0	0 5	0 13 4	0 1	3 10 0	0 5
200	3 3 4	0 4	6 10 0	0 8	3 3 4	0 4	6 10 0	0 8
220	4 16 8	0 5½	8 10 0	0 9½	4 16 8	0 5½	8 10 0	0 9½
250	7 6 8	0 7	11 10 0	0 11	7 6 8	0 7	11 10 0	0 11
300	11 10 0	0 9	16 10 0	1 1	11 10 0	0 9	16 10 0	1 1
350	15 13 4	0 10½	21 10 0	1 2½	15 13 4	0 10½	21 10 0	1 2½
400	19 16 8	1 0	30 10 0	1 6½	19 16 8	1 0	28 7 6	1 5
500	33 16 8	1 4	50 10 0	2 0	32 2 6	1 3½	50 17 6	2 0½
600	50 10 0	1 8	70 10 0	2 4	50 17 6	1 8½	73 7 6	2 5½
700	67 3 4	1 11	90 10 0	2 7	69 12 6	2 0	95 17 6	2 9
800	83 16 8	2 1	110 10 0	2 9	88 7 6	2 2½	118 7 6	2 11½
900	100 10 0	2 3	130 10 0	2 11	107 2 6	2 4½	140 17 6	3 1½
1,000	117 3 4	2 4	150 10 0	3 0	125 17 6	2 6	163 7 6	3 3
1,250	158 16 8	2 6½	200 10 0	3 2½	172 15 0	2 9	219 12 6	3 6
1,500	200 10 0	2 8	250 10 0	3 4	219 12 6	2 11	275 17 6	3 8
2,000	300 10 0	3 0	350 10 0	3 6	332 2 6	3 4	388 7 6	3 10½
2,500	419 5 0	3 4	469 5 0	3 9	469 12 6	3 9	525 17 6	4 2½
3,000	544 5 0	3 7½	594 5 0	3 11½	613 7 6	4 1	669 12 6	4 5½
4,000	819 5 0	4 1	869 5 0	4 4	938 7 6	4 8½	994 12 6	4 11½
5,000	1,131 15 0	4 6½	1,181 15 0	4 8½	1,313 7 6	5 3	1,369 12 6	5 5½
6,000	1,481 15 0	4 11½	1,531 15 0	5 1½	1,713 7 6	5 8½	1,769 12 6	5 11
7,000	1,856 15 0	5 3½	1,906 15 0	5 5½	2,138 7 6	6 1½	2,194 12 6	6 3
8,000	2,231 15 0	5 7	2,281 15 0	5 8½	2,563 7 6	6 5	2,619 12 6	6 6½
9,000	2,631 15 0	5 10	2,681 15 0	5 11½	3,038 7 6	6 9	3,094 12 6	6 10½
10,000	3,031 15 0	6 1	3,081 15 0	6 2	3,513 7 6	7 0½	3,569 12 6	7 1½
15,000	5,156 15 0	6 10½	5,206 15 0	6 11½	6,013 7 6	8 0	6,069 12 6	8 1
20,000	7,406 15 0	7 5	7,456 15 0	7 5½	8,638 7 6	8 7½	8,694 12 6	8 8½
25,000	9,781 15 0	7 10	9,831 15 0	7 10½	11,388 7 6	9 1½	11,444 12 6	9 2
30,000	12,156 15 0	8 1	12,206 15 0	8 1½	14,188 7 6	9 5	14,194 12 6	9 5½
40,000	17,156 15 0	8 7	17,206 15 0	8 7	19,888 7 6	9 11½	19,944 12 6	9 11½
50,000	22,156 15 0	8 10½	22,206 15 0	8 10½	25,638 7 6	10 3	25,694 12 6	10 3½
100,000	47,156 15 0	9 5	47,206 15 0	9 5½	55,638 7 6	11 1½	55,694 12 6	11 1½
150,000	72,156 15 0	9 7½	72,206 15 0	9 7½	85,638 7 6	11 5	85,694 12 6	11 5

## Society of Incorporated Accountants and Auditors.

### COUNCIL MEETING.

A meeting of the Council was held at Incorporated Accountants' Hall on April 1st. Present:—Mr. Henry Morgan (President) in the chair; Mr. E. Cassleton Elliott (Vice-President), London; Mr. R. Wilson Bartlett, J.P. Newport (Mon.); Mr. Henry J. Burgess, London; Mr. D. E. Campbell, Wolverhampton; Mr. Arthur Collins, London; Mr. W. Allison Davies, Preston; Mr. W. Holman, London; Mr. Thomas Keens, Luton; Sir James Martin, J.P., London; Mr. James Paterson, Greenock; Mr. W. H. Payne, London; Mr. W. Paynter, London; Mr. A. E. Piggott, Manchester; Mr. J. Stewart Seggie, Edinburgh; Mr. Alan Standing, Liverpool; Mr. Percy Toothill, Sheffield; Mr. F. Walmsley, J.P., Manchester; Mr. E. W. C. Whittaker, J.P., Southampton; Sir Charles Wilson, J.P., LL.D., Leeds; Mr. A. E. Woodington, London; Mr. A. A. Garrett (Secretary), Mr. J. R. W. Alexander (Parliamentary Secretary), and Mr. Ernest E. Edwards (Assistant Parliamentary Secretary).

Apologies for non-attendance were received from Mr. W. Bateson, Mr. E. T. Kerr, Mr. C. Hewetson Nelson, J.P., Mr. G. S. Pitt, Mr. A. H. Walkey, and Mr. R. T. Warwick.

### BILLS IN PARLIAMENT.

A report was received as to the proceedings on the Cardiff Corporation Bill before the Local Legislation Committee of the House of Commons.

### REGISTRATION FOR THE ACCOUNTANCY PROFESSION.

A report was received that Memoranda of Evidence on behalf of the Society of Incorporated Accountants and Auditors had been submitted to the Departmental Committee of the Board of Trade and that Mr. Henry Morgan (President), Sir James Martin, Mr. C. Hewetson Nelson, and Mr. R. Wilson Bartlett had appeared before the Committee as the Society's witnesses.

### COUNCIL.

It was resolved to appoint to occasional vacancies on the Council, in accordance with the provisions of Article 48, Mr. Fred Woolley, J.P., Messrs. Woolley and Waldron, Incorporated Accountants, Southampton, and Mr. Ralph Macaulay Branson, Messrs. Thomas May & Co., Incorporated Accountants, Leicester, subject to confirmation at the Annual General Meeting of the Society.

### GOLD AND SILVER MEDALS.

Upon the recommendation of the Examination and Membership Committee it was resolved that the following awards be made:—

**Gold Medal.**—Mr. Charles Edward Irvine Jones, Exchequer and Audit Department, London, E.C.4—May examination, 1929: First Place.

**Silver Medal.**—Mr. Arthur John Cooke, Clerk to Ernest Webb, Incorporated Accountant, Brighton—May examination, 1929: Second Place.

### SUBSCRIPTIONS OF MEMBERS IN PERMANENT RETIREMENT.

It was resolved that an Extraordinary General Meeting of the Society be held immediately following the Ordinary General Meeting in May, to make certain additions to the Society's Articles in respect of members in permanent retirement.

### LONDON DISTRICT SOCIETY.

A provisional Committee to consider the formation of a District Society of Incorporated Accountants for London and the Home Counties was appointed.

### VISIT TO ENGLAND OF CANADIAN AND AMERICAN MEMBERS OF THE PROFESSION.

It was decided to hold a reception and dance at Incorporated Accountants' Hall, on Monday, May 19th, in honour of members of the profession from Canada and the United States of America who may be visiting England at that time.

## Changes and Removals.

Messrs. Auker, Horsfield & Co., Incorporated Accountants, Bradford, have taken into partnership Mr. Ernest Longbottom, Incorporated Accountant.

Mr. W. A. Beeson, Incorporated Accountant, has commenced public practice at 645, London Road, West-cliff-on-Sea, Essex.

Mr. Joseph W. Blackham, Incorporated Accountant, of 147, Corporation Street, Birmingham, has taken into partnership Mr. C. H. Hills, Incorporated Accountant, who was formerly articled to him. The practice will be carried on under the firm name of Blackham & Hills.

Messrs. Crane, Houghton & Crane, Incorporated Accountants, of 30A and 31, St. Paul's Churchyard, London, E.C., have taken into partnership Mr. S. E. Houghton, Incorporated Accountant.

The partnership between Mr. Walter Foulston and Mr. Walter Bell, Incorporated Accountants, has been dissolved. Mr. Bell is now practising at Norris Deakin Buildings, King Street, Sheffield, under the style of Walter Bell & Co.

Mr. Edward S. Goulding, Incorporated Accountant, announces that his partnership with Mr. W. T. Wensley has been dissolved by mutual consent, and that he will in future practise under his own name at 19, Sweeting Street, Leicester.

Mr. Robert L. Little, Incorporated Accountant, has commenced public practice at 18, Richmond Terrace, Blackburn.

Mr. Walter Oldfield, Incorporated Accountant, announces that his Hinckley office has been removed from 46, Castle Street, to 72, Castle Street.

Mr. Fred H. Ollett, Incorporated Accountant, Paignton, has taken into partnership Mr. R. L. Janes. The practice will in future be carried on under the firm name of Ollett & Janes.

Messrs. C. H. Tolley, Rowlands & Co. have removed from 4, Great Winchester Street, E.C., to 18, Buckingham Street, Adelphi, W.C.

Messrs. Watson & Tebbet have removed from Corridor Chambers, Market Place, to 10, Peacock Lane, Leicester.



## The National Balance Sheet.

A LECTURE delivered before the Incorporated Accountants' Students' Society of London by

MR. A. W. KIDDY,

City Editor, "The Morning Post."

The chair was occupied by Mr. THOMAS KEENS, Past-President of the Society of Incorporated Accountants and Auditors, and among those present were:—The Right Hon. Lord Olivier, K.C.M.G., Sir Malcolm Ramsay, K.B.E., F.S.A.A. (Comptroller and Auditor-General), The Hon. Mr. Justice Luxmoore, Sir Basil Mayhew, K.B.E., Mr. A. Crawford, K.C. (Economic Council), Mr. A. E. Watson, C.B.E., Mr. Roland Burrows, M.A., Mr. Philip Vos, M.A. (Barrister-at-Law), Mr. H. Heathcote-Williams, M.A. (Barrister-at-Law), Mr. H. Farrar, M.C., M.A., LL.B. (Barrister-at-Law), Mr. M. Share, B.A. (Barrister-at-Law), Mr. A. G. H. Dent, F.S.S., Mr. C. C. Gatley, M.A., Mr. C. Hewetson Nelson, J.P. (Chairman of Finance Committee of the Parent Society), Mr. W. Nicholson, F.S.A.A., Mr. Richard A. Witty, F.S.A.A., Mr. A. J. H. Shay, F.S.A.A., Mr. A. T. Keens, F.S.A.A., Mr. Ernest E. Edwards (Assistant Parliamentary Secretary of the Parent Society), Mr. O. R. Hobson (Editor-in-Chief, *Financial News*), Mr. E. D. Kissan (City Editor, *Daily Mail*), Mr. A. S. Wade (City Editor, *Evening Standard*), Mr. Rae Price (City Editor, *Daily News and Star*), Mr. W. E. Donan (City Editor, *Financial News*), Mr. C. J. Mill (City Editor, *The Times*), Mr. R. J. Barrett (Financial Editor, *Sunday Times* and *Financial Times*), Captain Bone (Secretary of the Press Club), Mr. H. C. Fells (*The Statist*), Mr. G. Roby Priddle, F.S.A.A. (Vice-President of the Society), Mr. W. Holman, F.S.A.A., Mr. H. E. Colesworthy, A.S.A.A., Mr. C. E. Wakeling, A.S.A.A., Mr. J. Robinson, F.S.A.A., Mr. W. J. Freeman, and Mr. J. C. Fay (Secretary of the Society).

Mr. KIDDY said: I should like to say what a great pleasure it is to me to come here and address this gathering this evening, and also what a great privilege I deem it to be. At the same time I must confess that I do so with a considerable amount of trepidation, because, after all, for a financial journalist to come here and attempt to talk to accountants on the subject of balance-sheets savours almost of impertinence. I am reminded somewhat of the old lady who, when asked by a person how she enjoyed the sermon, said, "It was lovely; I said to my neighbour afterwards, 'What parson does not know about sin is not worth knowing.'" (Laughter.) I think what this audience does not know about balance-sheets is certainly not worth knowing, so I am sure you will sympathise with my feeling of trepidation. There are two other reasons for feeling slightly nervous in speaking to you this evening. First, I have to apologise for having written no paper on this occasion, and frankly, it has been due to sheer lack of time to thoroughly prepare a paper in the sense of writing it out. I hope you will kindly forgive that and permit me to indulge in a simple talk rather than reading a paper. I have also to apologise somewhat for the title I have chosen. I remember many years ago hearing a story about a very outspoken little girl who was given to making personal remarks on the appearance of guests who might come to the house. Her mother thought that to be forewarned was to be forearmed, and as a certain gentleman was coming to lunch she said to her little girl, "Now, Ethel, remember when Mr. Robinson comes there must be no remark about his nose. You will be very careful, won't you?" Mr. Robinson came, and for about ten minutes all went

well. At last the little girl could keep silence no longer, and she said, "Mother, you told me I was not to say anything about Mr. Robinson's nose. But he has not got one." (Laughter.)

The title of my lecture is "The National Balance Sheet," and while I am not suggesting that the National Accounts are not without a full balance-sheet, the accounts I am going to talk about to-night are not what in the ordinary way we would call a balance-sheet. I am going to talk about that Return known as the "Return of Public Income and Expenditure." In the sense in which I think some of you are accustomed to regard a balance-sheet, that statement can hardly come into the category of a balance-sheet, because I suppose in a full and true balance-sheet, full as to detail, we should expect to get, amongst other things, some idea of the break-up value of the concern and also a very full statement of the assets, &c. In the return of income and expenditure I am speaking of, there is no attempt to furnish anything of that sort. If we want to find out something about the assets, expressed in terms of wealth and so on, we shall have to dive into the public finance accounts of the United Kingdom where we shall get a much fuller statement of the position. To-night, however, I am speaking about that particular return known as the "Public Income and Expenditure"—which simply records the inflow and outflow of money from the Exchequer during the year.

I know that I run the risk of making my remarks a little wearisome if I try to make quite clear the principle on which those accounts are prepared, but inasmuch as we are presently going to try, if we can, to trace some connection between the figures in these accounts and the state of affairs we find in the country to-day, with industrial depression, &c., it is rather important that we should understand a few of those general principles. So I hope you will kindly bear with me for a few minutes if I should be at all tedious and should assume that *all* present are fascinated with the subject of balance-sheets. I am, however, reminded of that story which the late Mr. Bonar Law was fond of telling, about the Scotsman who was admitted to a hospital in a dying condition and seemed to have but an hour or so to live. The nurse, who was bending over him, heard him say, "Oh, for the sound of the Pipes!" Being a humane woman, and knowing that the pipers were not far off, she had them into the ward and they piped for half-an-hour. The Scotsman got better, but all the other patients died. (Laughter.)

In about a fortnight's time we shall be having the Budget presented, and already there is that air of fidgetiness and uneasiness which prevails for a few weeks before the Budget, when there is a general expectation, rightly or wrongly, that there is to be some increase in taxation. A day or two before the presentation of the Budget the newspapers are worked up to fever heat, and they say "Never was there such a crisis before." Then presently there is a bad Budget and some increase in taxation. I suggest that it would be very much better if all that excitement and all that anxiety were worked up at the really proper time, which is some two months ahead of Budget day. In other words, we already know, and have known for some little time, roughly what will be the position that Mr. Snowden will be faced with when he presents his Budget, because we have had the estimates of expenditure for the new year, which have to be presented to the House of Commons a few weeks before the Budget is submitted. Until Parliament has given authority for those estimates, the Government cannot begin expenditure for the new year. The fiscal year ends on March 31st, but Budget day is not until later, so there must be authority to go on spending money in the meantime. When Budget

day arrives, and when those estimates of expenditure have been passed by the House of Commons, in one sense there is little more to be said, because we know that when once they have been accepted, the bills have to be met. The only thing that concerns us, then, is how the Chancellor of the Exchequer will obtain the necessary revenue—whether in a wise way, or whether he will blunder over it and make the situation still worse by imposing taxation in those directions likely to do most harm. It is long before the Budget, when the estimates of expenditure are presented, that the real time for objection should arise.

We know that it is the House of Commons that has to deal with those estimates, but I am afraid by the time they are presented to Parliament it becomes very much a Party question, and therefore, whether they are extravagant or not, they stand very little chance of being materially altered. When once the estimates have been presented, and the Budget has also been passed and the necessary revenue is found, then we have in being the actual form of accounts which, until the end of the year, will tell us each week how much revenue has come into the Exchequer and how much has gone out. It is rather interesting to note how the final balance is struck. I think that at 4.15 next Monday (March 31st) an account is taken with regard to all the expenditure that has been made and all the revenue that has come in. But it will probably occur to you that it is rather difficult to get the expenditure fixed up precisely to a quarter past four. It is accomplished somewhat on these lines. Supposing that the Army or Civil Service Department has had a vote of so many millions for the year, and it is getting near to the final hour. The heads of the departments then say what amount they will really require, and that amount is paid over to the department, although the department may not spend it during the fiscal year. Sometimes the department may say "We shall *not* want so much," and then we get what is known as "savings" at the end of the year.

Now I want to pass on to the more practical part of my subject. I suppose I was tempted to choose this title, "The National Balance Sheet," for one or two reasons. One was that I thought it would enable us to approach the subject not along what I might call the lines of politics with any kind of Party feeling; I want to talk about the figures in the National balance-sheet just as we would about those of any business concern and to try and forget for the moment that there is such a thing as Party politics. I want you for a moment to imagine that the Government has actually called in some Incorporated Accountants. Mr. Ramsay MacDonald and Mr. Lloyd George and Mr. Baldwin have united—(laughter)—and they say, "The situation is so serious that we must get away from Party politics and get the view of experienced accountants. We must ask them to look into the concern and tell us whether they see any connection between the figures in these accounts and the state of unemployment and trade depression and so forth." I want you to stretch your fancy a little further and suppose that we have been in the habit of being advisers in this capacity to the Government for a great many years. In this imaginary investigation, which we are supposed to be making, I think we shall be wasting our time if we expect to find shortcomings in the *actual system of the accounts*, the manner in which they are kept, or, indeed, the scrupulous care and foresight exacted. We hear very often of the Treasury being the "watchdog" of the public, and because expenditure does not go down we sometimes say that the Treasury is not doing its duty; but I may mention that the accounts are checked very

carefully by the Treasury, and they are inspected by the Public Auditor and the Public Accounts Committee of the House of Commons. I do not think we need trouble ourselves very much about laxity in those directions. That is not to say, however, that there may not be gross extravagance, or that the increase in expenditure may not have a close connection with some of the problems with which we are faced to-day.

Let us just imagine, then, that we are looking into these accounts with the view of advising the Government. It has occurred to me—not being an accountant, but only a journalist—that I may be saying something very foolish in talking about accountants giving advice, but many years ago, when I was a boy, I was for a short time in an accountant's office, and in those days I know it was customary for the partners of a firm, or the directors of a company, although there was nothing wrong at all—in the sense of dishonesty or inaccuracy—to call to their aid expert knowledge, and accountants were considered good men of business as well as book-keeping experts, able to advise the partners whether certain changes should be effected in the business. In going through the accounts from year to year they saw things which escaped the eyes of those who were looking at them every day. It is in that spirit and from that standpoint that I am talking about our consideration of the National accounts.

There is, first of all, then, the perfectly obvious fact that, rightly or wrongly, there has been a tremendous growth of expenditure. So far, we are on common ground. Of course, a good deal of that growth is unavoidable, and some of it is what we might call mechanical or automatic; that is to say, when we see appalling figures to-day, compared with pre-war figures, we know that we have to make allowance for the decreased purchasing power of the £—in other words, for the rise that has taken place in the price of commodities. If we look at the pre-war year we shall find that the total expenditure of the whole country was roughly about 200 millions. During the interval the price of commodities has been very much higher than it is to-day, but I think if we take last year at about 40 per cent. above the pre-war level we shall not be far wrong. On those lines, then, the national expenditure might have risen easily to 280 millions without calling for any criticism. Then there are one or two other items that have increased, and for that increase it is beyond our power to blame the Government. It arises from the War. I refer to the greatest increase of all, under the heading of "debt charge," where there is an advance of rather over 350 millions on the pre-war level. We have, therefore, to add to our 280 millions another 350 millions. Then there is another item, the item of war pensions, which we all agree must be met cheerfully and without criticism. This item, according to the last accounts, was about 58 millions. If we make up our total with those allowances, we get a figure of 688 millions, or not far short of 700 millions. We know, however, that the expenditure is a great deal higher than that—it is well over 800 millions.

There is another point: When we are considering the effect of this growth of expenditure, and particularly its effect upon industry, we naturally look to the effect of taxation per head of the population. We do that partly for the reason that we are suffering, amongst other things, from foreign competition, and therefore it becomes rather important to see whether the matter is, in some degree at all events, explained by our industry being more burdened than the industry of other countries. At the present time our taxation here works out at over £15 per head, as compared with £5 10s. in the United States, about £7 in France and about £4 in Italy.



I think in our examination we have, therefore, already got one or two rather suggestive thoughts. We are not, perhaps, prepared yet to say to our principals that we have discovered all the causes of industrial depression, but we do just draw attention to it. Then, incidentally, looking through the accounts for the last few years, we ask the leading partner, so to speak, to look over our shoulder, and we say, "We must draw your attention to the fact that while ordinarily the revenue of the country is supposed to expand automatically with the increase of the population," we find that in the last few years income-tax and super-tax seem to be feeling the strain too much and are beginning to fall off. So that, apart from our contention that a great deal of money is taken from industry, there seems to be some sign from the figures themselves that harm has been done. Then we look into it a little further—I am supposing that during a number of years we have audited these accounts of the Government—and we venture to draw the attention of our principals to another matter, namely, the way in which this expenditure has gone on unchecked. There seems to have been no power to stop it. Some of us have grumbled, but it has gone on. Then we say, "You remember our advising you—it must be nearly 20 years ago, when you were making great changes; about the time of Mr. Lloyd George's Budget—you were not only piling up expenditure greatly, but we ventured to point this out to you, that you were making a great change from indirect to direct taxation, and we expressed our opinion that if that was done to a very large extent expenditure was almost bound to grow, because there would not be the automatic check on the expenditure when so few people were concerned in it." Well, the principal perhaps would give a wry smile and chuckle and say, "Yes, that may be so, but, well, there it is! How we would have got the expenditure passed if the whole of the public had to suffer we do not know." Then we say, "While you have been narrowing the field of taxation you have actually enlarged the franchise, and so the check in voting power is less than ever." We say further, "It seems to us almost as if these few taxpayers were the industrious people who were making the money, and you were piling it on them." It reminds one rather of the story of that merchant who had been running a very successful business for many years. He had two sons who were very modern youths. They knew how to spend their father's money very well, but did not take the slightest interest in the business. The father at last began to despair, as the business was going down, owing to foreign competition and other causes. At last he called the boys in and said, "Look here, this business is going down, and it will not do. We will have to look into this thing and get it right. You know perfectly well that I slave at it from morning till night; I am up at half-past five and do not go to bed until twelve. Now, I am going to be away all day to-morrow and shall leave you to inspect the books and in a few days I will discuss the matter with you and see what suggestions you have to make. He came back a few days afterwards, and they said, "We did look at the books, and we find that you are right; the business is in a very bad way." "Well," he said, "What is to be done?" and they replied, "Well, Dad, all we can think of is that you must work a little harder." (Laughter.)

We proceed with our examination of the accounts and we talk to our principals of the debt charges. There the principals assume a very confident attitude. They say, "Yes, that is a very big item, but you will admit that it cannot be helped. We had to win the War, and here in addition is this 800 million pounds that we owe the

United States; we have got to pay it, and it is a great strain upon us with the other taxation as well." We look at it and we say, "Oh, yes, that is quite right. You have got to do it. You cannot very well avoid it." The principals say, "You can really pass over that item because it is unavoidable expenditure," but we reply, "No, we do not agree that it should be passed over, because you have asked for our advice on the situation arising out of the accounts, and we have been looking over the other pages to see where the economies come in. We naturally think that this unavoidable expenditure should make the Government exceedingly careful about the other forms of expenditure, and we are puzzled to find so much expenditure of an unproductive character. We recognise your point about the debt charge, but here we have 800 millions owing to America. Of course we are only accountants, but does that not mean that we have to pay in goods and services? Did not America give us goods and services during the war, and have not we got to pay back in that form?" They reply, "Yes, but what about it?" "Only this; that if we really have to pay back in goods and services, it seems almost as if the whole tendency of legislation ought to have been to urge harder work and more energy, but apparently it has had the opposite effect. We are bound to express some surprise that there should not have been savings in other directions to make up for that very heavy debt, and so we come to rather closer quarters."

I spoke just now of about 100 millions having to be accounted for that could not be accounted for simply by the rise in the price level and war pensions, &c. Now I want to be very careful to-night, and to understate rather than overstate the position. On those lines, I believe, you will find that the closest examination of the accounts will show that the real increase is in the purely social services—I think you will find that there is an increase of quite 80 millions there to be accounted for. So in our examination of the accounts we ask our principals if they will be good enough to explain those items. They say, "Yes, they are spent on health, on education, and by the Labour Ministry for the good of the people." We reply, "That sounds very well, but, of course, we are obliged to consider the figures in the light of the position disclosed to us when you called us in. Do you feel that you are getting good value for your money? Do you think that boys are really being taught trades, or something of that sort, so that they will be able to take up manual occupation, or something that will be of real use to them? If so, we have nothing more to say about it, if you think you can afford it."

Then with regard to pensions and social services. [Of course, it is needless to say I am not referring to war pensions.] If we were asked about these, we should be inclined to say, "Are you quite sure that these large amounts spent on social services bring their full return? We have heard these services described as unproductive, but going over the books, and looking at it very carefully, we cannot help wondering whether they are not worse than unproductive. Do you think that at the very moment when the maximum amount of effort is needed to be called for, that those pensions and the general spread of the Socialist succour of every individual by the State has been a good thing?" Of course, at that point they very wisely remind us that we are dropping into politics and policy, and we had better stick to our business with regard to the accounts. (Laughter.)

We pointed out just now one thing which perhaps had caused the great growth in the expenditure—the changed incidence of taxation—taxation being put on a few. We notice also in our investigation another curious thing, and

that is that when our principals—I am trying to avoid the word "Government"—are speaking to the taxpayer on the form of expenditure they will assure him that they did not incur that expenditure, but that it was someone else. But when the General Election comes they always say, "We gave you so-and-so." We assure our principals that we are only speaking as accountants, and not from the political point of view at all, but as accountants we are wondering whether that shifting of responsibility from one to the other does make for the perpetuation of extravagant expenditure which intensifies the evil. We say, further, "The principals who are in Office at the present time have not been there very long, and recently there was a General Election. Now, of course, as accountants, we have come rather firmly to the conclusion that a strong lead in the direction of economy on the part of the Government would be a most excellent thing. May we ask whether at the last election any of the three principals championed the cause of economy in the election? One of them perhaps will say, "I did not say anything about economy, or about expenditure." Another says, "Well, yes; I was for spending a lot because it was going to give a great deal of work, and I think it would have been all right—no, I was not for economy." The other will reply, "I said we should expend a lot more and give plenty of concessions to the people." We say, "Then not one of you championed the cause of economy," and the answer is, "No; it was not popular." We thank them very much for their candour, but we say, "We have to remind you, then, that having been in office so many months, and the previous principals having been in office before you, you have called us in to-day because the situation is not satisfactory, and we must express our opinion before leaving you that this cause of economy is a great deal more important than you seem to imagine, and that a strong lead from yourselves to the people of this country in that direction might also accomplish more than you imagine."

We were all struck by something that happened recently in the railway world, when, after some years of extreme depression and declining revenues, the staff, from the highest to the lowest, voluntarily agreed to a reduction in their wages of 2½ per cent. It was a very fine thing to do, and it was appreciated by the public, and I think that one very great result followed—it has left us a very great example of what might be accomplished; because the situation was brought home to every single person in that great industry and there was such an increased effort in the direction of economy that we have read since, in all the railway reports, how economies—permanent economies most of them—have been introduced as the result of suggestions made by the men themselves; and that when the time comes, next May, that the wage will revert to its old level, there will still remain enormous economies as the result of bringing the truth home to every member engaged in that industry.

Well, our principals, perhaps, are not extremely impressed with what we say. They shake their heads and say, "You are rather getting into politics now, and we can only tell you that it is not possible." Then we have a little trump card up our sleeves, and we say, "Well, gentlemen, that we must leave to you, but we must draw your attention to this fact: You said that economy would not have been a popular thing at the last election. Yet you are in this difficult situation to-day, and now we find that the very people with whom you thought economy would not be popular have considered it worth while to make an independent investigation and report of their own." I will read you two short paragraphs which appeared in Saturday's paper, prepared by the

sub-committee of the General Federation of Trade Unions. They (the members of this sub-committee) say: "However desirable it may be to secure a fairer distribution of wealth, it is fatal to national prosperity to eat up that capital which is necessary to finance present and future production." "Four years of frantic spending and drastically restricted production," the report proceeds, "left Great Britain exhausted in pocket and resources. United effort and rigid economy might have mitigated the evil of her situation. She failed to give the first or to practise the second." Those, gentlemen, are the words of the Trade Unions' Committee who inquired into this subject.

Before I sit down I should like to say that I hope you will not imagine for one moment that I imagine I am unmindful, or that you are unmindful, of the many other causes contributing to the problems we have spoken of to-day, such as industrial depression and unemployment. We know that the causes are numerous, and that the sole cause is not to be found in Government extravagance. But I do believe that if the Government—any Government—gave the country a big lead on that one subject, with suitable legislation, it would have a great effect. As it is, I think the words I have read from the Trade Union report are most encouraging and most cheering. I think there are not wanting signs in many directions that we are beginning to realise the difficulty of these problems and are facing them. In a better understanding between capital and labour, in rationalisation and other developments, there are some signs of a turn in the tide. The most encouraging point of all is that we are beginning to recognise the magnitude of the task. In the late War it was not until we realised the possibility of being beaten that we put out our supreme effort. It is that supreme effort that is wanted to-day. The fact that we should recognise the magnitude of the task is half way towards victory—

"Never to ask for an easy task,  
Nor a prize for winning through,  
But just to pray for a better way  
And a better will to do.  
Never to sigh for a sunny sky,  
Nor mourn the gloom in vain,  
But to strain your strength the day's whole length,  
In spite of the mist and rain.  
Never to look for a trout-full brook,  
Nor ask for an easy shot,  
But just for sand, a steady hand  
And an eye that falters not.  
The finest tools, in the hands of fools  
Are nearly useless things;  
But the poorest kind, with a will behind,  
May fashion the thrones of kings."

#### Discussion.

Mr. ARCHIBALD CRAWFORD, K.C.: I do not know whether it is the old habit of being fee-ed for speaking that makes me get up so quickly, but I wish to express my appreciation of Mr. Kiddy's lecture. I am inclined to think, however, it is not a matter for accountants at all. I do not know that you will ever be called in to give your opinion as to whether the expenditure is proper expenditure or not, but possibly somebody somewhat related to you—a kind of accountant-economist, and possibly, as Mr. Kiddy hints, very soon—will have to be called in to tell those who govern us that the time has come when more is being distributed than is being produced. We are, in my opinion, in this democratic country, coming to the cross roads. The question is shortly going



to be. Is democracy too harmful to national economy to continue, or must something else take its place? I have been twice a candidate for Parliament on the side that theoretically believes in economy, and I have heard on many occasions my opponent saying, "I will give you this, and that, if you will vote for me," and I have found that half way through the contest I have been forced in a measure to follow suit. All parties are more or less responsible for this state of matters. Until politicians put before the people of this country the fact that production of wealth must take precedence in the national mind of its distribution we will inevitably follow the Gadarene swine. My suggestion, therefore, to you, gentlemen, who are the future accountants of this country, is that you apply your minds to the problem: How much taxation can we stand, compatible with prosperity and full national employment? The mind of the country is not being sufficiently directed to that. It happens to be my present business, through the Economic League, to call public attention to this aspect of matters. The country is in a very serious position. The people are told to spend, but very little is told about the harm to industry and production from that ever-increasing expenditure. In short, it is time that you gentlemen were seriously called in, in the strict sense that Mr. Kiddy indicated, to say to these politicians, "Are you getting value for the money you are spending?" It requires the skilled minds, like yours, to give advice on this subject. I will only throw out one suggestion. The alternative will be some kind of dictatorship to put an end to the state of matters and focus national attention on production. In America a firm says to its employees, "We are all out for production. We are partners. After cheapness of price has been achieved, we will attend to your superannuation, to your health, to your old age pensions. We will ourselves do these things, which is better than any Government department doing them." But we have not got that in this country, and the difficulty is we are tending too much in the opposite direction. It seems to me, however, that, before we scrap democracy, we ought first to educate the nation in sound economics. Further, there should be an expert body, including accountants, in a position to say authoritatively to the Government, "If you do this thing it is going to have that effect upon production." Now, this is my thought for you for the future: Can we save democracy and make it compatible with prosperity. Democracy has advantages as well as disadvantages. Devote your minds to this: "How can we devise in this country some means whereby Government expenditure is put to the test of its effect upon industrial production?" It is a useful channel of thought, because unless we get some solution of that problem I can see the day when accountants will not even be required, because the whole thing will go smash.

Mr. C. HEWETSON NELSON, Incorporated Accountant: I should like to say one or two words of appreciation of the excellent address we have listened to. It could have been an extremely dry speech, but the Lecturer has made it, at least to me, an extraordinarily interesting one. I suppose that I am probably the only person here who has journeyed 200 miles to hear this lecture. As a matter of fact, one advantage of being Chairman of a Committee of this Society, if you live in the provinces, is that you have the prerogative of fixing the day when the Committee shall meet, and when, a fortnight ago, I noticed that Mr. Kiddy was to lecture to the London Students' Society, I immediately, with that sagacity which I have learnt from association with the Chairman, wrote to Mr. Garrett and asked him to fix the meeting of the Finance

Committee for 3 o'clock on the afternoon of Mr. Kiddy's lecture. I have for a number of years read very closely Mr. Kiddy's articles in the *Spectator*, and I knew what a sound thinker he was, and that made me all the more keen to come here. I consider that one of the important things Mr. Kiddy has said for the good of the profession which we represent was this—when he portrayed the accountants who were making his imaginary investigation, I believe he prefaced it by saying that the accountants were also "business men." Now, I am perfectly sure from my experience that, unless an accountant is more than an accountant, he will not get very far. Some of the best men of figures I have come across have not succeeded as they ought to have done, because they restricted themselves within the narrow confines of their own professional work. You have always to get a little wider knowledge if you are to fulfil your tasks as citizens of the Empire. I would like to refer to the extraordinary document produced by the Committee of the General Federation of Trade Unions, which I read on Friday last with the greatest possible surprise. I read it twice, and said to myself, "Good heavens, where has this come from?" and I looked at the bottom, expecting to find the names of "J. C. Stamp," "J. M. Keynes," "A. W. Kiddy." There is not a sentence or a clause in that document but what the best economists in the country can subscribe to, and, as Mr. Kiddy has said, it is of enormous significance that a document like that should emanate from the General Federation of Trade Unions. It speaks well for the future that there are those in that movement who are appreciating the true inwardness of the position as it exists to-day. Let me say once more how very greatly I have been rewarded for coming to hear Mr. Kiddy to-night.

The CHAIRMAN: I should like to add my testimony to the remarks just made by Mr. Nelson as to the value of the lecture we have listened to this evening. I am very glad indeed that Mr. Kiddy told us at the start that his title was a misnomer, because I am bound to say I could not find any evidence of a balance-sheet, as I understand it, when I read the synopsis. He retired from that position very early. Then he went on and said he did not think we could find much fault with the form of accounts. I think he only said that because he was not prepared to go into it at the time. As a matter of fact, most of us could find fault with the national accounts as presented, and some improvement has been made in the last few years. I did not think I could allow that remark to pass—that we could not improve the form of the national accounts very materially. Some years ago there was instituted a form of cost accounting in the Army and that was abolished, but it was not abolished before that system of cost accounting, with a balance-sheet as the necessary check to the figures, had disclosed the fact that production in certain places was going on at a rate far beyond the possibilities of consumption. I believe that was one of the reasons why it had to disappear. I want to emphasise what Mr. Nelson said about accountants giving advice. Mr. Kiddy seemed to be in some doubt as to whether, as a profession, we did give advice. I venture to think that the more senior practitioners do, at any rate, and probably the most useful service that we give our clients is our advice arising out of the accounts which have been prepared. We sometimes do see things, coming in from time to time, which may escape our clients' notice by their very familiarity. Then a few words on the whole sum of public expenditure. Mr. Kiddy said that the public grumbled at expenditure. Well, they do, some of them. That is nothing to the grumbling which goes on when

some boon, which the public thinks it ought to have, is denied it. I have been a candidate for Parliament and I agree with Mr. Crawford that preaching economy will not enhance the candidate's popularity. The only thing you can do is to say in your election address that you are in favour of the greatest possible measure of public economy—say it in the shortest sentence—and then for platform purposes leave it severely alone. I have also been for some years chairman of the Finance Committee of a County Council, and you hear from time to time grumbles from the ratepayer about the amount of his rates, but often in the same letter it is coupled with a demand that you should carry out certain works. If you call attention to the fact that it will require expenditure, he says, "Then cut off the expenditure which the other man wants." That sort of thing goes through the whole of public life. I am not prepared to subscribe to the statement that all the money expended in social services is unproductive—not by any means. As a matter of fact, if by an expenditure on education we can improve the standard of the whole of the community, that is productive in the highest sense; and even for expenditure on unemployment insurance, I would call attention to this: that we cannot in the twentieth century contemplate that any man should be allowed to starve, and it is a question of whether you are to find some basis of subsistence for him under the Poor Law, or under some form of insurance to which the man contributes. If you ask me to subscribe to insurance allowances for boys and girls of 15, then I shall probably agree with Mr. Kiddy, but I do want to discriminate between certain forms of social services and other forms of expenditure. To my mind some of them can be very well defended, while others I find it extremely difficult to defend. With that slight comment on the lecture, I think we are to be congratulated on having had such a delightful evening.

On the motion of Mr. COLESWORTHY, seconded by Mr. WALTER HOLMAN, Mr. Kiddy was accorded a hearty vote of thanks.

A vote of thanks to the Chairman was also unanimously passed.

## District Societies of Incorporated Accountants.

### BELFAST.

(STUDENTS' SECTION.)

The second annual dinner of the Students' Section of the Belfast and District Society of Incorporated Accountants was held in the Carlton Restaurant, Belfast, on March 28th. The guests included Mr. Robert Bell, F.S.A.A. (President of the Society of Incorporated Accountants and Auditors in Ireland); Mr. Fred Allen, F.S.A.A. (President of the Belfast and District Society of Incorporated Accountants and Auditors); Mr. James Baird, F.S.A.A. (Vice-President of the Belfast and District Society of Incorporated Accountants and Auditors); Mr. J. S. White, F.S.A.A. (Past President of the Students' Section); Mr. S. Boyle, A.S.A.A. (Vice-President of the Students' Section); Mr. H. M. McMillan, A.S.A.A. (Hon. Secretary and Treasurer of the Belfast and District Society of Incorporated Accountants and Auditors); Mr. E. W. Calvin and Mr. E. M. Knox (Chartered Accountants' Students' Society); Mr. H. M. Gibson and Mr. Leitch (Incorporated Law Students' Society).

Mr. Boyd paid a tribute to the work done for students by the late Mr. Harry Allen. Mr. Robert Bell impressed upon the students the necessity of continuous study. He deplored the system of intensive cramming in the few months immediately preceding examinations. Mr. Bell also spoke in favour of registration, which he thought would raise the general standard of the profession and would lead the public to place increased confidence in accountants. Mr. Fred Allen said that they would all loyally support the Society's efforts to obtain registration.

Mr. James Baird presented the prizes won in the essay competition as follows:—Final Students' Prize, Mr. S. A. Martin (Messrs. Rawlinson, Allen & White); Intermediate Students' Prize, Mr. J. W. Baird (Messrs. Atkinson and Boyd).

### BIRMINGHAM AND MIDLAND.

At a meeting of the Council held on April 4th, a presentation of a gold cigarette case was made to Mr. T. Harold Platts in appreciation of his services as Secretary of the District Society for the past six years.

The President, Mr. E. T. Kerr, in making the presentation, referred to the zeal with which Mr. Platts had carried out his duties under very difficult conditions. Mr. Bardell and Mr. Bridgwater associated themselves with the President's remarks. Mr. Platts, in thanking the Committee, expressed his desire to do all he could for the Society, although circumstances had necessitated his relinquishing the position of Honorary Secretary.

### NORTH STAFFORDSHIRE.

Mr. E. B. Temple, Barrister-at-Law, London, lectured to the North Staffordshire District Society of Incorporated Accountants on the Companies Act, 1929, Mr. Donald H. Bates, F.S.A.A., President of the Society, presiding. In outlining many important changes effected by the Act, Mr. Temple gave practical examples which had come within his own experience. There was a large attendance, and an interesting discussion took place.

### SOUTH WALES AND MONMOUTHSHIRE.

(CARDIFF AND DISTRICT STUDENTS' SECTION.)

There was a large attendance of senior and student members at the meeting of the Cardiff and District Students' Section, held at Cardiff on March 27th, which took the form of a Mock Shareholders' Meeting. Mr. Ivor Davies, A.S.A.A. (Chairman of the Students' Section), occupied the chair in the capacity of Chairman of Directors, and he was supported by other members and officers of the company in the persons of Mr. E. E. Pearce, A.S.A.A. (one of the directors), and Mr. P. A. Hayes, F.S.A.A., and Mr. W. I. Rhodda, A.S.A.A., Auditor and Secretary of the company respectively.

The Directors and Officers of the company were stormed with questions in connection with the accounts submitted for well over an hour, the shareholders generally being most dissatisfied with the financial position as presented to them. The meeting proved a great success, and the many points brought out in the course of the discussions were of invaluable help to student members.

It was made known at the meeting that the following had been successful in the Prize Essay Scheme during the current session:—

First prize, Mr. K. V. Stephens, Paper on "Income Tax—deduction of Tax at Source." Second prize, Mr. V. F. Alban, Paper on "The Value of Cost Accounts." Prize for the best contribution to the discussions, Mr. R. R. Davies.



## Income Tax (Schedules A and B) and Land Tax.\*

A LECTURE delivered before the South Wales and Monmouthshire District Society of Incorporated Accountants by

MR. A. GOLDSTEIN,

H.M. Inspector of Taxes, Newport, Mon.

Mr. GOLDSTEIN said: My subject to-night will, I fear, not be so interesting as you might have expected. It is "Income Tax (Schedules A and B) and Land Tax." I have no doubt that most of you know as much about Schedule D as I do, and that branch is the one about which most books are written. Moreover, it is six years since the last revaluation of property for Schedules A and B, so that within the next few years another revaluation may reasonably be expected.

I will commence with Schedule A, and divide my remarks under four headings, (1) Subject and basis of assessment, (2) Deductions, (3) Persons chargeable, (4) Appeals and Additional Assessments.

### SUBJECT AND BASIS OF ASSESSMENT.

Tax under Schedule A is charged in respect of the property in all lands, tenements, &c., on the annual value thereof. *Shanks v. Commissioners of Inland Revenue*, following Lord Macnaghten in *Attorney-General v. L.C.C.* (1900), emphasised that Income Tax, Schedule A, is a tax on the income value of property capable of occupation and measured by the annual value of the property, and not a tax on the property itself. The expression "Property Tax," often used for Schedule A by the layman, is therefore a misnomer.

As you are doubtless aware, by the Finance Act, 1926, properties mentioned in the old No. II and No. III Schedule A are now transferred to Cases III and I of Schedule D respectively. These numbers dealt with the rules for assessing manorial profits, which will gradually become obsolete since the Law of Property Act, 1925, and those arising from collieries, docks, railways, waterworks, and the like. Where, however, any of these concerns are not carried on for profit they are assessable Schedules A and B in the ordinary way (*Shaw v. Lichfield Conduit Trustees*).

### Subjects.

Schedule A is now confined to lands, tenements and hereditaments capable of actual occupation, and for whatever purpose used or enjoyed. The land and any corporeal object on or under it may be said to be capable of actual occupation—the extreme case was that of a sewer carried partly over and partly under ground which was held by the House of Lords to be capable of beneficial occupation (*Ystradyfodwg Main Sewerage Board v. Bensted*). Sect. 34 Finance Act, 1921, exempts sewers vested in local authorities. The case *Hill v. Gregory* is interesting as deciding that minerals below the ground are not capable of occupation, and profits therefrom are assessable (Case I, Schedule D) on the person working the minerals or (Case III, Schedule D) on the recipient of the dead rent or royalty if worked at a loss or not yet worked.

### Basis.

Having disposed of the subjects of assessment Schedule A, I now come to the basis of assessment, viz, the General Rule, Schedule A, which defines annual value as—

- (1) Amount of the yearly rent of the property if let at a rack rent fixed within seven years before the year of assessment, and

- (2) If not let at a rack rent as in (1) then at the rack rent at which it is worth to be let by the year.

Lord Justice Swinfen-Eady, in *Gundry v. Dunham*, defines the rack rent at which a property is worth to be let by the year as the "value it is worth to be let by the year in the open market—what a tenant, taking one year with another, may fairly and reasonably be expected and required to pay." As will be seen later, this definition assumes that the tenant will bear all burdens, e.g., rates, normally borne by a tenant, and a landlord all the expenses, e.g., repairs and insurance, necessary to maintain the property in a condition to command the rent. *Stocks v. Sulley* defined rack rent as the full rent in the open market.

### Leases.

It will be noted that the basis of assessment under both the above heads is the rack rent at which the property is worth to be let by the year. In the case of an ordinary lease or agreement made within the seven year period, and which contains no provisions throwing burdens normally borne by the landlord on the tenant, or *vice versa*, the rent reserved in such lease is normally the rack rent.

It may be that though the rent appears to be a genuine rack rent, it is yet unduly low; this can usually be ascribed to the relationship, family or business, between lessor and lessee.

The former relationship is well exemplified in *Stocks v. Sulley*, which also decided that a lease within the seven years limit is only conclusive if at a rack rent, while the latter is observed, for example, with tied houses, farmers' and landowners' cottages, &c. In such cases the annual value is determined under head (2) as for an owner-occupier, though the lease or rent may be regarded for what it is worth as an item of evidence (*Stocks v. Sulley*).

### Rates.

It should be noted that a rent may be a rack rent even though the owner pays the rates if it is usual for such class of property to be let at inclusive rentals; Rules 1 and 10 (a) of No. IV, Schedule A, provide that the amount of tenant's rates paid by the landlord in the previous year may be deducted in arriving at the annual value (see *Norwich Union Fire Insurance Company v. Embleton*).

In the case of weekly lettings it is necessary to aggregate these for the 52 weeks, and then arrive at the amount of rack rent on a yearly basis (*Williams v. Sanders*). I will refer later to the computation of annual value in the case of properties let in tenements.

We now come to the class of cases where the lease was made within the seven year period and is otherwise satisfactory except that the tenant bears the whole or part of the cost of repairs or other burdens normally borne by the landlord.

### Landlord's Burdens.

Rule 9, No. IV, provides that the rent reserved in a lease shall not be binding:—

- (1) Where it does not express the full consideration in money or value, e.g., where a premium is paid as well;
- (2) Where it is less than the rack rent because of repairs or improvements effected or to be effected by the tenant; and
- (3) Where it was assigned to the tenant for a valuable consideration, e.g., a premium.

Rule 10, No. IV, enacts, *inter alia*, that regard shall be had to any reduced rent due to the tenant discharging the landlord's burdens or paying expenses normally

\* This lecture is not official, and is not issued under the authority of the Board of Inland Revenue.

borne by the landlord, e.g., insurance premium, land tax, drainage, rates, &c.

The annual value in such cases is computed from the actual rent reserved in the lease plus the annual equivalent of landlord's burdens borne by the tenant, improvements to be carried out by him, or of any other consideration paid by him.

The different possibilities are well exemplified in the case of *Davies v. Abbott*, recently decided in the Court of Appeal.

In this case (one of a tied house) the lease was made within the seven years period, the lessee being liable for all repairs and paying, in addition, a premium of £200. The Commissioners fixed the annual value at £68, arrived at thus:—

Lease rent .. ..	£30
Landlord's repairs ..	14
1/14th of £200 premium	14 (the lease was for 14 years)
Interest on premium ..	10
	<hr/>
	£68

This method was approved by the Court of Appeal.

In law, the addition to be made for repairs is fixed by each body of Commissioners, but it is normally 5 per cent. of the rent for internal repairs, unless the lease is for less than seven years and contains a fair wear and tear clause, and 20 per cent. where the tenant is liable for all repairs.

#### Rating Valuation.

It is a common fallacy, I regret to say held even by accountants, that where there is no actual letting, as in the case of owner-occupiers, the assessment must be made according to the gross value for poor rate purposes. This fallacy was exploded 30 years ago when the High Court in *Walker v. Brisley*, decided the Commissioners were not bound by the poor rate assessment. It is true the basis of assessment has much improved owing to the Rating and Valuation Act, 1925, but in far too many cases the gross value is below the rent paid. You will have read in the "Argus" recently that Quarter Sessions reduced poor rate assessments on properties in Pontypool below the rents paid, and examples taken at random in my own district from new properties built within the last two years will show that even now the poor rate assessments are below the rack rental value as defined for income tax. (Examples were given.)

It is true the Commissioners are entitled to have regard to the poor rate assessment, and where satisfied it is adequate they may (but not must) follow it (*Gundry v. Dunham*).

Where an Inspector is satisfied the rating valuation is adequate I have no doubt he would usually follow it for owner-occupier cases. If it appeared inadequate he would have regard to rents paid for similar properties as a basis of comparison.

There are a number of interesting points in connection with the basis and subject of assessment which I will deal with before leaving the first head of my address.

**Advertisement hoardings**, unless separately rated, are deemed covered by the assessment on the building they are attached to; if not so affixed, the agreement is deemed a mere licence and the rents assessed on the recipients.

You will have little to do with *Sporting Rights*, but I will mention they are assessed (Case III, Schedule D) when let separately, and otherwise included in the Schedule A assessment on the land unless retained by the landlord.

**Tithe Rent Charge** may be assessed on the owner making a return for such purpose, whereupon the assessments on the lands out of which it issues are proportionately reduced. Many special reductions, including cost of collection, are allowed in assessing tithe rent charge.

**Machinery** affixed to a building is still included in the Schedule A assessment, though derated, while fixtures and fittings not permanently attached to a building are not included in the Schedule A assessment, but any rent therefrom is assessed (Case VI, Schedule D), e.g., furnished houses, cinemas, &c.

#### Property Let in Apartments, &c.

As I will mention later, houses, &c., let in different apartments or tenements are assessable on the landlord, and on this point there have been two interesting recent decisions. In *Williams v. Sanders* a house was divided into and let in different apartments (unfurnished) at varying weekly rentals. The appellant sought to establish that the annual value was what a tenant of the whole house would pay, knowing he was going to let it in tenements. The Commissioners fixed the annual value at 25/26ths of the net lettings after deducting rates paid by the owner. On appeal to the High Court it was held the annual value was the aggregate of the rack rents at which the various tenements were worth to be let by the year, thus substantially upholding the Revenue's claim.

In practice the gross rentals are ascertained for the year, tenant's expenses borne by the landlord deducted, e.g., rates, cost of light and fuel, lift, caretakers and cleaning, and the balance is then adjusted to the yearly rack rent.

It may be pointed out that the cost of insurance and management cannot be deducted, but may form part of the expenses to be included in a maintenance claim, to which I will refer later. This practice, the deduction being that for the preceding year, was approved by the High Court in *Norwich Union Insurance Company v. Embleton*. This case further ruled that the statutory repairs allowance fell to be computed by reference to the annual value of the whole building, and not that of each separate flat or tenement.

The recent case of *Commissioners of Inland Revenue v. Dickson's Executors* may be of interest. In that case a property was let at a rent of £425 for three years, £450 for two years, and £475 for the remaining two years. It was held the annual value was not the rent of the first year which coincided with the revaluation year, but must be ascertained by reference to the whole lease by averaging or otherwise.

As will be mentioned later, where property is let for less than a year the owner is assessable. Land is usually let for grazing on an eleven months' tenancy and the grazier has a mere licence; the owner is therefore deemed occupier and assessable (both Schedules A and B), but he may claim relief under Rule 6, Schedule B, and pay under that schedule on his actual profits, viz, rent, less net Schedule A assessment and any other expenses, claiming relief under sect. 34 if the resultant figure is a minus quantity.

I now come to the deductions that may be made from the gross assessment arrived at under the General Rule No. 1, Schedule A.

#### DEDUCTIONS.

Of the deductions allowable from the gross assessment the repairs allowance is normally both the largest and the most important.

I will not detain you with deductions allowable only to the clergy, save that as regards *Tithe Rent Charge* there is



allowed, *inter alia*, the cost of collection (*Stevens v. Bishop*) and the whole of the rates charged, though half are remitted and paid by the Treasury.

There are several minor deductions met with, mostly as regards lands, viz:—

- (1) The full land tax charged, though half or all may be remitted by the Finance Act, 1898, by reason of the owner's total income.
- (2) Drainage, rates, and expenditure on sea walls.
- (3) Abatement of rent allowed by reason of flood or tempest.

#### Repairs.

I now come to the deduction for repairs. Rule 7, No. V, Schedule A, expresses this by saying that the assessment for the purposes of collection shall be reduced by the amount of the allowance, which is:—

- (a) Lands—one-eighth of the annual value.
- (b) Houses and buildings—one-fourth of the annual value to £40; one-fifth of the annual value to £100; £20 plus one-sixth of the annual value in excess of the first £100.

Where the annual value is between £40 and £50, the allowance is a fixed one of £10.

The buildings allowance does not apply to farm buildings included in the assessment on the land, and is only granted the owner where he is occupier or undertakes to bear the cost of the repairs. Where the tenant undertakes the cost of repairs, the allowance is not to reduce the net assessment below the rent payable.

The repairs allowance is not granted where the gross assessment, in the case of houses and buildings, is less than the rent payable by a sum greater than the repairs allowance that would be due if the assessment had been made on the rent. This sounds complicated, but is easily illustrated by an example. Gross assessment £75, rent £100, new lease since last revaluation. If the assessment had been made on the rent, the repairs allowance would have been £20; the gross assessment is more than £20 below the rent, and therefore no repairs allowance is due. In the case of lands, no allowance is due if the gross assessment is more than one-eighth below the rent.

The *Norwich Union Insurance Company v. Embleton* is an interesting case on this point. The company owned properties let in flats, and claimed the repairs allowance should be the aggregate of the allowances due as if each flat had been separately assessed, *i.e.*, one-fourth or one-fifth of their annual value. The Revenue claimed the annual value of the whole building, which was assessable in one sum, should be regarded, and that the allowance due was £20 plus one-sixth of the balance in excess of £100.

The High Court decided in favour of the Revenue.

#### MAINTENANCE CLAIMS.

I now come to what are popularly known as "Maintenance Claims"—that is to say, claims under Rule 8, Schedule A, No. V. This rule provides that where a repairs allowance has been granted by Rule 7, it is open to an owner to claim repayment of tax on the difference between the average cost to him during the five preceding years of the maintenance, repairs, insurance, and management of his property and the amount statutorily allowed him for repairs.

If no repairs allowance is due under Rule 7 because the rent is so much greater than the assessment, then no claim is due under Rule 8, save by a concession of the Board of Inland Revenue.

This concession allows properties otherwise outside the relief to be included in the claim if the owner undertakes

to have set off against any repayment due, tax on the difference between the actual rent for the year of claim and the gross Schedule A assessment, thus:—

Rent .. .. .	£90
Schedule A .. .. .	65 (no repairs allowance has been granted)
Average expenditure on repairs .. .. .	37
Repayment due on £12, viz	37-25

Expenditure otherwise allowed as a deduction in computing income for income tax purposes—*e.g.*, where the owner is assessable under Schedule D, or claims relief under Schedule B, Rule 6—cannot be again claimed under this rule. Obviously an owner-occupier of business property cannot claim an allowance for repairs both in his accounts and under this rule.

The rule provides that all houses or lands managed as one estate must be dealt with on one and the same claim, and therefore no property to which the repairs allowance has been granted may be excluded. Lands and houses may be separated for the purposes of this claim at the owner's option.

Where a person owns two or more houses, each is the subject of a separate claim unless they are not only under the same management but also form part of the same estate. These claims, as may be imagined, present many difficulties in practice, though the law is clear.

#### Definition.

Maintenance is defined by this rule as amended by sect. 25 of the Finance Act, 1924, as including—

- (1) Replacement of farm and similar buildings where necessary to maintain the existing rent;
- (2) Additions or improvements to farm, &c., buildings *only* if no increased rent is derived and if they are made to comply with the provisions of a statute or local bye-law.

The term does *not* include the replacement of any buildings other than those connected with a farm; outlay on improvements or additions is only allowed for farm buildings under the conditions laid down by sect. 25 of the Finance Act, 1924.

The point of "improvements" and capital expenditure is one of the two big practical difficulties met with in these claims. Where the replacement of farm buildings increases the rent no allowance is due, nor where the property has been void some time and is in a dilapidated condition.

The other important practical difficulty met with is in the case of an owner-occupier. Expenditure incurred by an owner-occupier is allowable only where it is incurred by him in his capacity as owner and not as occupier of the property. Take the case of a mansion: repairs and renewals of pumps and pipes of the water supply, of the heating and lighting system, or expenditure on conservatories and greenhouses would be allowed. Nothing would be allowed for the upkeep of fittings normally furnished by a tenant, nor for cost of cleaning drains and gutters, nor for the upkeep of the garden, &c.

In the case of landed estates, the annual value of estate offices and pensions paid to retired employees, if customary, may be allowed. No allowance would naturally be due for income tax, rates, tithe, rent charge, or any annual payments, wages of gardeners or gamekeepers, cost of rearing game or fish, remissions of rent, or compensation paid at the end of a tenancy.

#### Particulars Required.

The claims form (No. 99) provides for particulars of the properties, assessments and rents of the year of claim,

and expenditure on houses and lands under the heads of maintenance, repairs, insurance and management. Items representing farm replacements must be separately shown.

Where the number of properties is large and the claim is made annually, alterations in properties, rents, and names of occupiers only need be shown. All expenditure must be vouched for by receipted bills or books of account.

Cases often arise where the claimant has not been owner for the whole of the five years, or keeps his accounts on a year other than to March 31st. In the latter event he can work on his own year if he agrees to continue in future. In the former case, the claimant should furnish proof of expenditure for the period his predecessor was owner, or it may be assumed to be "nil."

By a concession of the Board, the claimant can be given relief by reference to the actual expenditure of each year until there is a five years' average, provided he agrees in writing. This concession only applies where the relief obtainable approximates to what would be due if figures had been available, e.g., nothing would be given if it was clear the previous owner had spent little or nothing on repairs.

The relief due is given by way of repayment; by concession it may be given by way of set-off if the claim is proved before or near January 1st in the year of claim. The relief being an extension of the ordinary repairs allowance, cannot be a greater sum than the tax actually paid under Schedule A, and is not available as a set-off against other taxed income (*Compton v. Campbell*).

I will conclude the subject of maintenance claims by saying that they are, but for a small administrative difference, like any other claim under Schedule A, and in the event of difference between the Revenue and the claimant, the latter may appeal to the General Commissioners and thence to the High Court on a point of law (*Re v. Kingsland Commissioners*).

#### OTHER ALLOWANCES.

There are certain other allowances that may be claimed.

(1) Hospitals, public schools and almshouses (save as regards parts of the premises in the occupation of officers with incomes more than £150) are exempt. Colleges, Universities, and Scientific Institutions (save as regards any parts occupied by an officer) are also exempt.

There have been a large number of legal decisions on this exemption, but the matter is more properly one for the legal than for the accountancy profession, so I will pass on to—

(2) *Voids*. Rule 4, No. VII, Schedule A, makes tax payable whether or not the property is occupied. An allowance can, however, be made where houses are unoccupied—in practice "house" is deemed to include "any building." Lands can never be void under Schedules A and B; if untenanted they are deemed to be in the occupation of the owner, who in such a case certainly has the "use" of the lands and is accordingly chargeable.

The rating rule that voids cannot be allowed for furnished houses also applies to Schedule A (*Smith v. Dauney*), while by a concession land that is waste or used for building purposes is in certain circumstances allowed as void.

(3) *Lost Rent*. Statutorily the fact that rent is not paid in full or even at all is no ground for relief; the assessment falls to be made on the occupier on the annual value of the property. By a concession of the Board, where the tenant has absconded and left the property

and the rent is irrecoverably lost, relief may be given on the amount of the lost rent upon completion of a form, 146B, the minimum liability being tax on charges.

Voluntary remissions of rent (save *re* agricultural land) are no grounds for relief, nor do losses incurred other than by the tenant absconding come within the concession. In applying it, tax on the excess of the net rent over the gross assessment is set against the relief due.

#### Time Limit.

At this juncture it may be interesting to refer to the time limits for claiming the deductions I have just mentioned:—

Twelve months for voids, statutory repairs, land tax, or drainage rates;

Six years for maintenance claims.

#### PERSONS CHARGEABLE.

I will conclude my remarks on Schedule A by discussing the persons chargeable, and one or two miscellaneous matters.

Schedule A is normally charged on the occupier for the time being who is defined as the person who has the use of any lands, hereditaments, &c. Unoccupied land, as I have just stated, is assessable on the owner.

The recent case of *Shanks v. Commissioners of Inland Revenue*, decided in the Court of Appeal, emphasised that the person liable was the person having the exclusive use and occupation of any property; to the extent to which such person could not recoup himself by deducting tax from any rent payable, he was in receipt of profits arising from property which fell to be included as his income in any return of total income made for income or super tax purposes.

The Court of Appeal rejected the claim that unless the taxpayer had an ownership in land, &c., he need not enter anything on his return as income from land. Income tax Schedule A was a tax on profits from property, and not a tax on property itself. The omission from returns of total income of beneficial occupation is, unfortunately, not infrequent, even in returns prepared by accountants.

#### Change of Occupier.

No new assessment is needed where there is a change of occupier, but a new occupier is not liable for tax due prior to his occupation, which ultimately fell to be borne by the previous occupier. Two examples will best explain this:—

(1) An owner-occupier sells his property, leaving arrears of tax outstanding to the date of sale. Such tax is not recoverable from his successor, as it ultimately fell to be borne by the owner-occupier, as there was no one from whom he could recoup himself by way of deduction.

Where in the contract for sale it is agreed the purchase price is to be reduced by the amount of income tax outstanding, then, of course, the successor is liable for such tax, which will have been allowed to him in the completion account.

(2) "A" pays £300 rent for a property assessed £500 net; he quits, owing £100 tax. The new occupier is only liable to pay £60 tax, which A could deduct on paying his rent; the remaining £40 falls ultimately to be borne by A, as he cannot deduct from his landlord more than tax on the rent.

Of course provision is made for a tenant occupier being entitled to deduct from his rent arrears of tax due by his predecessor in the same way as current tax paid by him.



**Landlord.**

In the following three cases the landlord is charged and not the occupier, viz:—

- (1) *Redwelling* houses of less than £10 annual value;
- (2) Where lands and hereditaments are let for a period less than a year, e.g., weekly or monthly tenancies;
- (3) Where any house or building is let in different apartments or tenements occupied by two or more persons.

I have pointed out in my remarks *re* the *Norwich Union* case that in Case (3) the annual value is the sum of the several rack rents, and that the repairs allowance is on the aggregate annual value.

Rule 9, No. VII, Schedule A, is not well known. It enables a landlord of any property to be assessed as occupier provided the General Commissioners consent and that he notifies their clerk before July 31st in the year in which he first makes the claim. Where the landlord is assessed as occupier and does not pay the tax, it can be recovered from any or all the tenants.

Besides *Shanks v. Commissioners of Inland Revenue*, there are one or two interesting cases under No. VII, Schedule A (persons chargeable). *Hill v. Gregory* decided that the lessee of unworked minerals had not the use of the land, and that the lessor was assessable on the dead rent under No. II, Schedule A, now Case III, Schedule D.

*Back v. Daniels* that wholesale potato growers with a licence to grow potatoes on farmers' lands, the licensors doing the work, had the use of the land and were assessable as occupiers.

*McKie v. Leech* that of several joint tenants, the one who actually carried on the farm alone had the use of the land and was assessable.

There is no need to waste much time on the power of deduction of tax from rent, save to say a tenant cannot deduct more tax than he has paid, and must produce the receipt. It may not be realised that tax must be deducted from the payment of rent immediately following its payment, or the right of deduction is lost for ever.

**APPEALS AND ADDITIONAL ASSESSMENTS.**

Coming to appeals, those both for Schedules A and B lie only to the local Commissioners, who *must* (Finance Act, 1923) hear the appellant's agent, as well as his accountant and lawyer. In a year other than one of revaluation any owner or occupier may appeal against the assessment as though it were a revaluation year, but if he does so the Commissioners can increase the assessment even though there have been no alterations since the last revaluation. Such appeals must be made within twelve months of the end of the year of assessment.

In a Schedule A appeal the Commissioners may, and if the appellant asks, *must*, direct him to cause a skilled valuer (whom they name) to value the property; after the valuer has certified on oath his valuation, the Commissioners *must* assess accordingly. The appellant must state what he considers the annual value to be, and if the valuer's figure is higher he may be ordered to pay all the costs of the valuation.

I will conclude my remarks on Schedule A with a reference to additional assessments.

If any incorrect deductions, e.g., repairs allowance where the rent is much above gross assessment, have been made, additional assessments may be made within the six years time limit.

The gross assessment cannot be increased *after* the revaluation year unless the property has been structurally or otherwise altered so that it cannot be said to be

the identical property that was assessed for the previous year, and there is therefore no annual value of such year to be continued; see *Turner v. Carlton*, and the recent case of *Thornley v. Brown*, which decided it is a question of fact whether the altered property is the same or not.

Within the six years limit there is nothing to prevent the Revenue increasing an assessment made in the revaluation year if it thinks it too low, and such increase would be continued for all later years. In *Gundry v. Dunham* the Court of Appeal held the annual continuation clause did not apply to additional assessments made for a year of revaluation.

**SCHEDULE B.**

I now come to Schedule B, with which perhaps accountants are more concerned than with either Schedule A or Land Tax.

The normal basis of assessment Schedule B is the same as that for Schedule A, viz, the rack rent, and it covers the same subjects with the following very important exceptions:—

- (1) Dwelling houses, unless included in the same lease as lands for the purpose of farming them;
- (2) Warehouses and other buildings used for trade purposes.

The first exception includes farmhouses occupied by their owners, or not occupied solely for the purposes of farming, and cottages held with land.

Where lands are not solely or mainly occupied for the purposes of husbandry (unless the user is, in the opinion of the Board of Agriculture, unreasonable) they are charged on one-third of the annual value—otherwise on the full annual value. Nurseries and market gardens are charged on the profits according to the rules of Schedule D, but under Schedule B.

**Husbandry.**

The definition of the term "husbandry" is important, for, as will be seen later, certain relief sections only apply where the land is used *solely* for the purposes of husbandry. Thus land may be charged on the full annual value as being used for husbandry and yet not entitled to relief as it is not used *solely* for such purpose.

Husbandry must be given its ordinary meaning, viz, tillage and cultivation of the soil, and all other uses customary among farmers, including the grazing and rearing of sheep and cattle and production of milk (*Commissioners of Inland Revenue v. Cavan Co-operative Society*; *Keir v. Gillespie*). The former case also decided that making butter or milk other than from milk produced on one's own farm is not husbandry.

Service fees from stud animals are assessable under Schedule D (*Malcolm v. Lockhart*), while recent decisions (*Jones v. Nuttall, &c.*) have laid it down that poultry farms are chargeable Schedule B where the stock lives to a material extent on the produce of the lands.

*En passant* one may note the anomalous cases of cattle dealers and milk dealers or sellers who are also assessable Schedule D (Case III (4)) if the lands are insufficient for the keep of the cattle so that the annual value forms no true guide as to the profits. A recent case (*Stephenson v. Waller*) has laid it down that *any* seller of milk comes under this head, and that it is solely a question of fact whether or not the taxpayer comes under the Schedule D rule.

Woodlands, gardens other than market gardens, pleasure grounds, sports grounds and golf courses are all assessable on one-third of the annual value.

*Reliefs.*

I now come to the relief sections, which I have previously pointed out apply only where the land is assessable on the full annual value, and where it is occupied *solely* for the purposes of husbandry. Rule V, Schedule B, allows a farmer to be assessed Schedule D if he gives notice to the Inspector *every* year (not as might be expected once and for all) not later than June 6th.

The *Tranent Co-operative Society v. Brown* decided a Co-operative Society, assessable Schedule B, cannot escape taxation by electing under this rule and then claiming exemption under Schedule D.

Rule 6, Schedule B, allows anyone assessed on the full annual value who occupies land for the purposes of husbandry *only* to claim a reduction in the assessment to the actual profits of the year of assessment, provided he proves his claim within twelve months of the end of the year of assessment.

Many taxpayers and accountants confuse these two rules, and think they can claim to be assessed Schedule D at any time. To be assessed Schedule D the claim must be made by June 6th in the year of assessment.

It would seem preferable to claim Rule 6 than Rule 5, as an example will show. Profits for a number of years have been fairly constant at £600, which is the rent and therefore the Schedule B assessment. In the current year a loss of £500 is made. Up to that year it has not mattered whether tax has been paid under Schedule D or Schedule B. If Rule 5 is adopted, the current year's assessment will be £600 reduced to £100, by set-off under sect. 34 of the loss of £500.

If Rule 6 is adopted, the Schedule B assessment of £600 will be reduced to nil (actual profits), and repayment of tax on £500 other income can be claimed under sect. 34. Thus the farmer will pay tax on £100 for this year if he has claimed Rule 5, while if he continues to be assessed Schedule B and claims Rule 6 he will recover on other taxed income tax on £500, or be better off by 4s. in the £ on £600.

Rule 6 is truly a case, as regards the taxpayer, of heads I win, tails you lose. It should be noted that no appeal lies to the High Court against a decision of the Commissioners under Rule 6 or sect. 34 (*Bruce v. Burton*; *Furtado v. C.L. Brewery*), as claims under these sections are applications and not appeals.

Where land is used mainly as a hobby, e.g., rearing fancy stock or breeding game, its use cannot be considered to be for husbandry *only* (*Bruce v. Burton*), though it may be *mainly* for husbandry, and is therefore assessable on the full annual value. In such a case Rules 5 and 6 would not apply.

I will conclude my remarks *re* Schedule B by mentioning the right of an occupier of woodlands managed on a commercial basis to be assessed Schedule D as under Rule 5, save that once election is made it applies to all *future* years irrevocably.

*Partners.*

No doubt you are aware of a habit that developed among farmers in the days when Schedule B was assessed on twice the annual value, viz., of having partnership deeds drawn up making their children partners, and thereby increasing the personal allowances that could be set against the assessment.

The question whether or not a partnership exists is, in English law at any rate, one of fact, and is not precluded by a partnership agreement.

In *Dickenson v. Gross* the deed was never carried into effect, especially the clauses regarding the preparation

of accounts and division of profits, and the Commissioners' decision rejecting the alleged partnership was upheld.

In a recent Scottish case (*Commissioners of Inland Revenue v. Williamson*) the Court of Session held there must be evidence laid before the Commissioners to justify the inference a partnership existed—in this case there were no records and the only evidence was statements by the interested parties that a partnership at will existed.

*LAND TAX.*

The subject of Land Tax is one that really interests a lawyer more than an accountant, but a few remarks may not be out of place, as Land Tax often appears on demand notes which accountants have to check.

Land Tax was made permanent in 1798, and an amount called the "quota" fixed for each parish, which it had to raise in perpetuity. As a result of various Land Tax Acts, the rate in the £ cannot be more than 1s. nor less than 1d. The assessment can be made on any equal basis provided it does not exceed 1s. in the £ on the Schedule A value.

*Redemption.*

Land Tax is really a perpetual rent charge which may be redeemed by payment of an amount 25 times the previous year's tax by any absolute or limited owner. When redeemed by the latter he is granted a certificate by the Board charging the property with a capital sum equal to the consideration paid for redemption—on registration under the Land Charges Act, 1925, the charge has priority over all *other* charges. It sometimes pays a leaseholder who is going to make alterations that may result in the Land Tax assessment being greatly increased to redeem the Land Tax, and thus not only save his pocket in the future, but result in the money returning to him when his lease expires.

Where owing to buildings being put up or alterations made it is likely the annual value of the property will considerably increase, it is often advisable to redeem the Land Tax before such operations are begun, as Land Tax assessments can be increased in any year up to the true annual value. For example, in a 1s. parish some land is assessed at £50, tax £2 10s.; it is proposed to erect a factory that will have an annual value of £1,000. It will be obviously better to pay £62 10s. to redeem the existing Land Tax, than to pay in perpetuity £50 per annum when the factory is put up.

Application for redemption should be made to the Clerk to the Land Tax Commissioners, who supplies the necessary forms.

*Reliefs.*

It is well known that where the taxpayer's total income is less than £160 he is relieved entirely from Land Tax, and if between £160 and £400 he only has to pay one-half. By the Finance Act, 1927, the income for any Land Tax year is the taxpayer's income for the preceding income tax year, so that a sect. 34 claim reducing the total income for 1929-30 below £160 would not relieve from Land Tax until 1930-31. These reliefs are only granted to individuals; corporate or unincorporate bodies, even if specifically exempted by statute from Income Tax, are still liable in full to Land Tax.

There are just two other minor points on Land Tax; the first that, once paid, Land Tax can never be repaid, as there are no provisions in the Land Tax Acts enabling this to be done, and, second, that there are no provisions for allowances for property that is void, so that Land Tax outstanding for all earlier years has to be paid by the first subsequent occupier.



## South Wales and Monmouthshire District Society of Incorporated Accountants.

### ANNUAL DINNER.

There was a distinguished gathering at the annual dinner of the South Wales and Monmouthshire District Society of Incorporated Accountants and Auditors at Cardiff on April 11th. Mr. PERCY H. WALKER (President) was in the chair, and amongst those supporting him were the Lord Mayor and Lady Mayoress of Cardiff (Alderman and Mrs. William Charles), the Mayor and Mayoress of Newport (Councillor and Mrs. Brinsmead Williams), Mr. Henry Morgan (President of the Parent Society), Sir Charles Stewart, K.B.E., Mr. F. P. Jones Lloyd (President, Cardiff Incorporated Law Society), Mr. Lod M. Rees (President, Newport Chamber of Commerce), Mr. John Powell (President, Cardiff Chamber of Commerce), Mrs. Percy Walker, Mrs. Henry Morgan, Sir William Diamond, K.B.E., Mr. and Mrs. R. Wilson Bartlett, Mr. Thomas Keens, Mr. William Simmons, J.P., Sir William Graham, Mr. J. E. Emlyn Jones (Vice-Chairman, Cardiff and Bristol Channel Shipowners' Association), Alderman Sir Iltyd Thomas, Mr. A. W. Heard (Chairman, British Association of Shipping and Forwarding Agents), Mr. Cecil G. Brown (Town Clerk of Cardiff), Mr. C. J. Trump, Mr. Henry Edwards (President, Swansea and South-West Wales District Society of Incorporated Accountants), Mr. W. R. Gresty, F.C.A. (President, South Wales Institute of Chartered Accountants), Mr. T. Alwyn Lloyd (President, South Wales Institute of Architects), Mr. P. S. Lewer (President, South Wales Chartered Institute of Secretaries), Mr. C. Axten (President, Insurance Institute of Cardiff), Mr. A. C. E. J. Fudge (President, Newport Shipbrokers' Association), Mr. Sidney Foster (Vice-President, West of England District Society), Mr. Edgar James (Vice-Chairman, Cardiff Shipbrokers' Association), the Deputy Mayor of Merthyr, Mr. Harold Ellis, Mr. D. J. Owen, Mr. J. J. E. Biggs, M.D., J.P., Mr. A. A. Garrett, M.A., (Secretary, Society of Incorporated Accountants and Auditors), Mrs. A. A. Garrett, Mr. D. W. Oates, M.A., Mr. J. Roberts, M.A., Mr. Henry J. Smith, O.B.E., Colonel E. E. Greene (Deputy Sheriff), Mr. F. H. Dauncey (Registrar, Newport County Court), Mr. R. J. Rimell (Secretary, Chartered Institute of Secretaries), Mr. Gordon Jolliffe (Secretary, South Wales and Monmouthshire Institute of Chartered Accountants), Mr. W. J. T. Collins, Mr. Thomas Isaacs, Mr. A. E. Pugh (Secretary, Newport Chamber of Commerce), Mr. A. Grimsdale, Mr. F. A. Webber (Secretary, West of England District Society), Mr. Thomas Mills (Vice-President, Swansea and South-West Wales District Society), Mr. A. W. L. Sleeman (Treasurer, Swansea and South-West Wales District Society), Mr. T. O. Morgan (Secretary, Swansea and South-West Wales District Society), Mr. A. E. Piggott (Secretary, Manchester District Society).

The loyal toasts having been honoured on the motion of the CHAIRMAN (Mr. Percy H. Walker),

Mr. W. H. PALLOT (Vice-President, District Society) gave the toast of "Our Civic Governors." There was an old Dutch proverb, he said, which ran: "He who serves the public hath but a scurvy master." That was frequently only too true, but he was sure that they who were present that night appreciated the heavy responsibilities which rested on the shoulders of aldermen

and councillors. The late Lord Rosebery once said: "Local patriotism, if I may use the term, is a quality we cannot too greatly encourage, for of all kinds of patriotism it is at once the most needed and the least selfish." That was the spirit with which the Civic Governors of Cardiff, Newport, Swansea, Merthyr and the other municipalities were imbued. They were harassed on the one hand by the protagonists of numerous and, at times, fantastic schemes which, if adopted, would result in increased burdens, while, on the other hand, the ratepayers cried aloud that spending should be kept to the very minimum. Only the other day they had been told that the total combined income and expenditure of the Cardiff Corporation approximated five millions sterling per annum. From the consideration of such stupendous figures it was abundantly clear that their civic governors—the unpaid directors of their civic trading—had in that respect alone a very heavy burden resting upon them. They were justifiably proud as a Society to have in Alderman Charles Saunders and Councillor A. E. Pugh two of their members who were interesting themselves on the Councils of Cardiff and Newport respectively. They were also proud of the fact that another of their members held the position of Treasurer to the City of Cardiff. He referred to their good friend Mr. John Alcock, who was accepted as an authority on his subject. He coupled with the toast the names of the Lord Mayor of Cardiff and the Mayor of Newport.

THE LORD MAYOR OF CARDIFF (Alderman William Charles) said he rose to respond to that toast with a feeling of great responsibility, for he faced that night the largest and most important gathering of prominent commercial and professional men that he had been called upon to address since he had assumed office. The gentlemen present that night had their fingers on the pulse of the business of the city. Under recent Acts of Parliament a great many added duties and responsibilities had been placed on the shoulders of those who undertook the governance of municipalities. It was only of late, for instance, that the coming into operation of the new Local Government Act had imposed upon Councils duties which must involve the spending of more moneys. He did not know of any city in the kingdom that was so well governed as Cardiff. Its wide, clean streets were an example to all, and he noticed with pleasure that the outside world was realising how fine and beautiful a city it was. He maintained that for every penny expended in the government of Cardiff in the past the citizens had had real value. They were always pleased to welcome visitors from other towns and cities, and he was very glad to have a further opportunity of meeting the Mayor of Newport. If their Society could give to the city a public servant of the quality of Alderman Saunders, surely it could give more men of the same calibre to the civic service. It was men like that, and like those he saw before him, that local government wanted.

THE MAYOR OF NEWPORT (Councillor Brinsmead Williams), also speaking to the toast, said that, having just come from an adjourned meeting of his Council, he was at the moment wondering whether they were truly civic governors. He ventured to say that they were rather civic administrators. So many Acts of Parliament were being thrust upon local Councils for administration that he was afraid the time was rapidly approaching when voluntary service would be done away with. That would be a retrograde step. The voluntary system had built up the nation. He believed in spreading the responsibilities of local government

over the widest circle of the citizens. The abolition of the Boards of Guardians and the concentration of duties on the local authority seemed to him to thrust too much work on men who were already overworked. Like the Lord Mayor of Cardiff, he appealed to members of the Incorporated Society to come forward and accept a greater share of the task of local government. One of their members was already a member of the Newport Council, and they appreciated the abilities which Councillor Pugh brought to his task. Men of that type were a vital necessity to the local government of the present day. He congratulated Mr. Percy H. Walker on occupying the position of President to the District Society, and expressed the hope that 1930 would prove an even more successful year for Incorporated Accountants than any that had preceded it.

Sir CHARLES STEWART, K.B.E., proposed "The Society of Incorporated Accountants and Auditors." Sir Charles said he was proud to be present at a gathering of a profession for which he had a great admiration, and of which he only wished he were a member. Any little knowledge of business he possessed, any success he might have attained in the offices he had held, was due to his accountancy training, a good deal of it not far from Cardiff. He felt that at no time were the services of accountants so precious as now. One wished that the country might get the services of a body such as the Incorporated Society to help it out of its difficulties. He thought accountants could help in many ways. And accountants must be prepared to accept heavy responsibilities in the execution of their tasks. They had seen the profession of accountancy growing from year to year and ever undertaking new responsibilities. He thought that he had been asked to undertake the toast that night because he had seen a good deal of the shady side of individuals and of companies. Speaking from that experience, he wanted to throw on accountants the responsibility of exercising vision and courage to guide individuals and companies aright. They could do an enormous service by foreseeing difficulties and in providing for them. It was imperative that accountants should form their opinions carefully and then stick to those opinions. They must not be afraid of bringing directors of companies face to face with the truth. Many of them were being called upon to advise with respect to the great amalgamations which were taking place, and it was there that they could render service in proportion to their grave responsibilities. No country in the world could touch the British reputation as traders, and there were certainly no accountants in the world to excel the British accountants. There was not a financial business of any importance transacted in any part of the earth on which the opinion of British accountants was not sought. It was remarkable how their own Society had increased and multiplied. The membership of the Incorporated Society totalled 5,225 and there were some 3,000 candidates coming on. The Secretary had acquainted him with the provision that was made for the liberal education of those candidates. The public expected a good deal from accountants, and it was essential that the accountant should have good qualifications. Their candidates were working hard to acquire those qualifications, and having done so, they would become members of that Society. They did not expect to have to meet the competition of persons who held no professional qualifications. So far as the law stood at the moment anyone could commence business as a practising accountant whether or not he had qualifications for the position. He might call himself an accountant, or

an Income Tax adviser, or a mercantile agency, or by any other appellation. He believed that some of the later-formed societies offered as an inducement to such men to give them accountancy qualifications. He did not know what sort of qualifications they would give. He understood that their Society was approaching a Departmental Committee with a provision for proper qualifications for accountancy. Personally, he was very heartily in favour of that. He believed that the law compelled doctors, solicitors and dentists to be subjected to some amount of disciplinary action. If accountants wished to affirm their position and their responsibilities to the public, and to those whom they served, they would back up the demand for registration. The strength of a chain was measured by its weakest link, and any failure of anybody who went about in the guise of an accountant was a danger to the public and a danger to their own profession. They might retort: "The public knows the Chartered body and the Incorporated Society. Isn't that enough?" That was looking at it from a very narrow viewpoint. In the interests of the public and in their own interests he asked them to back up a Measure which would insist on those who practised as public accountants having qualifications no less than their own. In conclusion, Sir Charles said that everybody looked to the accountant's report on the balance-sheet or the company report as something upon which they could rely, and he appealed to the members, and particularly the younger members and students, to form the habit of forming their opinions and of sticking to them, and of having the courage to state those opinions. After all, whatever their cleverness, it was character which told. He wished the Society every success, and would return to London with the memory of an energetic and enthusiastic District Society in South Wales and Monmouthshire.

Mr. HENRY MORGAN (President of the Society of Incorporated Accountants and Auditors), responding to the toast, said it gave him considerable pleasure to be there that night as a guest of the South Wales and Monmouthshire District Society of Incorporated Accountants. The pleasure which he always felt in doing so was, on that occasion, enhanced by the fact that he was the first Welsh President of the Society, and it was the first time that, as President, he had been privileged to address his own countrymen in his own country. To make the occasion still more memorable to him, that toast had been proposed by their distinguished guest, Sir Charles Stewart, whom he was pleased to number amongst his close personal friends. It was singularly appropriate that the toast of "The Society of Incorporated Accountants" should have been given by one who had filled so many important public offices, and had rendered such noteworthy service to the country as Sir Charles Stewart. For fifty years past Sir Charles Stewart had been continuously in close touch with members of the accountancy profession. There was probably no one in that country who was better qualified to express an opinion upon the various problems with which the profession was faced. His observations on the registration of accountants could not be ignored, having in mind that the Departmental Committee recently appointed by the President of the Board of Trade was engaged in taking evidence. Amongst no section of their members had the principle of registration of accountants been more strongly advocated than by the Incorporated Accountants of South Wales and Monmouthshire. With regret, however, they had to face the fact that some members of the leading bodies of accountants did not agree on the advantages of



legislation for the regulation and control of the profession. Those who were opposed to registration put forward as one of their arguments that there was no public demand for registration and that it was not necessary for the protection of the public. But evidence of public demand in a matter of that kind had not to be looked for as a popular campaign in the Press. Evidence was to be found in abundance amongst those people who engaged the services of professional accountants, or who had to rely on their certificates and accounts, such as Revenue and other Government officials, directors and shareholders of public companies, and business men generally. Instances were constantly occurring where the interests of members of the public were seriously affected by the activities of the unqualified and uncontrolled practising accountants, and by the continued formation of spurious accountancy organisations which purported to confer upon their members some professional qualification. The enormous development of joint stock enterprise, accompanied as it was by substantial publicity for the company auditor, had the effect of obscuring somewhat the fact that the audit of the accounts of public companies represented but one aspect of the practising accountant's business. By far the greater part of their work consisted of the preparation and audit of the accounts of the enormous number of private companies, and of private traders, the adjustment of Income Tax matters with the Inland Revenue, the winding-up of estates in bankruptcy or of companies in liquidation, and trustee work generally. In nearly all those cases there was involved a close personal relationship between accountant and client, and, at the same time, a definite responsibility towards third parties. Those considerations alone made it evident that there was an urgent need for legislation to ensure that all those persons who held themselves out as professional accountants should possess the knowledge and skill necessary to carry out the duties they undertook, and that they should be worthy of the confidence placed in their work by third parties. Cases were constantly being brought to the notice of their Society where members of the public had suffered serious loss or damage through the employment of unqualified or unreliable accountants.

The President then presented certificates and prizes to a number of students who were successful in taking Honours in the Society's examinations, and also the prizes won in connection with the Essay Scheme organised by the students themselves.

Mr. F. J. ALBAN, F.S.A.A., proposing "Trade, Commerce and Industry," said that accountants had the greatest respect for trade, commerce and industry because they realised that without commerce there would be no need for their profession, and that their means of subsistence would probably be gone. It was not everybody who could appreciate the poetry of a profit and loss account, or the beauty of a balance-sheet, but they felt that trade, commerce and industry at least appreciated to a certain extent the services of accountancy.

Mr. JOHN POWELL (President of the Cardiff Chamber of Commerce) said it gave him very great pleasure to respond to the toast. It was quite true that the trade of the district was suffering exceedingly from the depression which affected the coal, shipping, and iron and steel trades. In short, the staple trades of the country were in a parlous state, and it would be a great mistake to hide that fact from sight. Although on the verge of ruin, the coal trade was carrying on with the indomitable

courage which had enabled it to come through the difficulties of the past, and which he firmly believed would enable it to come through the difficulties of the present. The railwaymen, the dockers, the shopkeepers, and the whole of the population depended upon the ability of the coal trade to compete successfully in the markets of the world. Not only had it had to face the disabilities that ensued from the deliveries of reparation coal, but they had been faced with preferential railway rates, trade barriers, the competition of oil and petrol, the granting of subsidies by foreign Governments, the growing use of hydro-electric power, and very low costs of production obtaining in other countries. The competition had been ceaseless and ruthless.

Mr. PERCY H. WALKER, F.S.A.A. (President of the District Society), gave the toast of "The Visitors." As President of the Society he appreciated the courtesy of the Lord Mayor and Lady Mayoress of Cardiff and of the Mayor and Mayoress of Newport in sparing the time from their busy civic lives to be present that night. Trade and industry were represented at their board by the Presidents of the Chambers of Commerce, the Shipowners' Association, and similar organisations. The law, medicine and the Army were particularly well represented, and they were glad to see amongst them the Principal of the Technical College and the headmasters of the various Secondary Schools. They were happy to have with them the representative of their sister Society, the Chartered Accountants, as well as their old friends, the Inspectors of Taxes, and those terrible gentlemen, the bank managers.

Mr. J. E. EMLYN JONES (Vice-Chairman of the Cardiff and Bristol Channel Shipowners' Association), in responding, said he believed that what was needed in the Mother of Parliaments at the moment was not the professional politician, but the man who had acquired knowledge from experience in the world of business, and who knew what business remedy should be applied to the common ills of the nation. At the present time they were face to face with the tragic spectacle in Great Britain of an official return of four million tons of shipping idle, and they knew of many steamers which were not in the official returns. That was due to the collapse of the world markets. Four million tons of shipping idle might not mean much to the man in the street, but the loss to the nation was infinitely greater than to the individual, for it was part of the invisible exports which had enabled the country to hold its own to some extent. He had come to the conclusion that there were three main causes for the decline. The first was that they were undoubtedly living above their incomes. Secondly, they had too high a standard in certain trades. It was a fact that there were millions of people in certain industries and occupations who were enjoying a standard of life which, however much they wanted to give it them, they could not afford. Thirdly, they had been denying the laws of nature and the laws of economics. They could no more do that with impunity than they could deny the laws of gravity. There was too much party controversy at the present moment. The difficulties of the present were essentially economic and not political in their character.

Mr. A. W. HEARD (Chairman, British Association of Shipping and Forwarding Agents) also responded.

## OBSOLESCENCE OF GOODWILL.

The following are extracts from Editorial Notes of the *Journal of Accountancy*, New York, in relation to the case of the *Haberle Crystal Springs Brewing Company*, recently decided by the Supreme Court of the United States of America:—

The case of the *Haberle Crystal Springs Brewing Company* is interesting to accountants in more ways than one. The point at issue—whether under the tax law an allowance should be made for obsolescence of goodwill—is itself an interesting technical question. The decisions in the Courts below turned largely on the legislative history of tax provisions, which accountants played an important part in formulating, and the whole history of the case indicates the strange turns of fortune to which taxpayers may be subject. No question of fact was in dispute. In the language of the Judge, "The goodwill was that of a brewery and is found to have been destroyed by prohibition legislation. The deduction claimed is for the fiscal year ending May 31st, 1919, it having been apparent early in 1918 that prohibition was imminent, and the officers having taken steps to prepare for the total or partial liquidation of the company. The amount of the deduction to be made is agreed upon if any deduction is to be allowed." The sole contention of the Government, which brought the appeal, was that in the provisions of the Revenue Act of 1918 relating to exhaustion, wear and tear and obsolescence, "the statute only intended to embrace property of such a nature that it was decreased, consumed or disposed of by use in the trade or business, and goodwill is not such property." As between the parties, nothing turned on the nature of the event which destroyed the goodwill. The Government's position would have been precisely the same had the case been one of a business brought to an end by an unexpected exhaustion of the world's supply of its raw material. The Court, however, decided against the taxpayer, on the ground that neither of the words "exhaustion" and "obsolescence" was apt to describe termination by law as an evil of a business otherwise flourishing; and that to make such an allowance would be to grant part compensation to the taxpayer for the extinguishment of his business by law in the form of "an abatement of taxes otherwise due," and that it was incredible that Congress should have intended such a result.

Congress, acting within its powers, saw fit to enact prohibition without compensation; but there is nothing to suggest that it intended to impose an added burden on the industries affected by requiring that their taxable income, during the short period of legal operation left them, should, by an exception to a general rule, be determined as if that period had been unlimited. The opinion, we think, does an injustice to Congress when it imputes to Congress such an intention.

In the bureau of internal revenue and in the Court below the question had turned on the interpretation of the provision of sect. 234 (a) of the Revenue Act of 1918, allowing as a deduction from gross income, *inter alia*, "a reasonable allowance for the exhaustion, wear and tear of property used in the trade or business, including a reasonable allowance for obsolescence." Acting under this authority, the Treasury in 1919 issued a regulation providing for an allowance for obsolescence of goodwill of breweries as a result of prohibition. This ruling remained in effect from 1919 until 1927. In 1927, a case having come into the Courts on the question whether or not the goodwill had in fact been destroyed in that case, a District Court held that the provision relied on did not

authorise a deduction in any case for obsolescence of goodwill. This decision being affirmed by the Circuit Court of Appeals, the Commissioner amended the regulations so as to deny the deduction. It is to be presumed that the great majority of the cases had been decided under the regulations in force from 1919 to 1927, so that only a small residue of taxpayers was affected by the change of position. The Circuit Court of Appeals, in deciding the case referred to (the *Red Wing Malting Company* case), held that the language, "including a reasonable allowance for obsolescence," did not add a new kind of deduction, and that the allowance for "exhaustion, wear and tear of property used in the trade or business" covered no more than the provision of the 1916 Act, which allowed a deduction for the "exhaustion, wear and tear of property arising out of its use or employment in the business or trade," and that therefore exhaustion was not allowable unless caused by use.

## Visit of Canadian and American Accountants.

A number of members of the accountancy profession from Canada and the United States will be in Great Britain during May, 1930. It is proposed that the Society of Incorporated Accountants and Auditors should entertain them at Incorporated Accountants' Hall on Monday, May 19th, when a reception and dance will be given at 8.30 for 8.45.

It is desired that this function shall be supported by members throughout the Society to welcome the visitors. The tickets are 12s. 6d. each and can be obtained on application from the Secretary of the Society of Incorporated Accountants and Auditors, Incorporated Accountants' Hall, Victoria Embankment, London, W.C.2.

## Reviews.

**Alpe's Law of Stamp Duties.** (Twentieth Edition.) By A. R. Rudall, Barrister-at-Law, and H. W. Jordan. London: Jordan & Sons, Limited, 116, Chancery Lane, W.C. (416 pp. Price 15s. 6d. net.)

This is a standard book on the subject of Stamp Duties and can be regarded as thoroughly reliable. It is compiled in the same form as hitherto and embodies the modifications of stamp law arising from recent enactments and cases decided in the Courts.

**Company Law and Practice.** (Seventeenth Edition.) By Herbert W. Jordan and Stanley Borrie, Solicitor. London: Jordan & Sons, Limited, 116, Chancery Lane, W.C. (580 pp. Price 10s. net.)

This publication takes the form of a general review of the law relating to Joint Stock Companies as it now stands classified under convenient headings and followed by an appendix which contains the text of the Companies Act, 1929, with the rules and orders relating thereto and a Table giving the corresponding sections of the old and new Acts. A useful feature of the book is a table of documents required to be lodged with the Registrar by Public Companies (but not private companies) showing against each item the person or persons by whom it is required to be signed, when it has to be lodged, and the section of the Act bearing upon the matter. A further table gives corresponding particulars as to documents required to be lodged with the Registrar by all companies whether public or private. The book is well produced and contains much useful information.

**The Companies Act, 1929.** (Ninth Edition.) By G. D. Hemmant, Barrister-at-Law. London: Jordan & Sons,



*Limited, 116, Chancery Lane, W.C. (712 pp. Price 15s. net.)*

In compiling this treatise on the new Companies Act, Mr. Hemmant has adopted a different course from that referred to above. He has taken the sections of the Act in their order and appended foot-notes by way of explanation, together with references to decided cases bearing upon the particular matters. These footnotes are given in relation to the new Table A as well as to the sections of the Act, and the book also contains a copy of the new Winding-up rules and forms, so that it is in every way complete.

**Notes on Income Tax.** By William S. Carrington, A.C.A. London: Sir Isaac Pitman & Sons, Limited, Parker Street, Kingsway, W.C. (90 pp. Price 3s. 6d.)

Mr. Carrington has prepared this little book for the use of students who are endeavouring to acquire a knowledge of Income Tax. His advice to them is to study the Income Tax Acts themselves in conjunction with one or more standard text books, and to refer where necessary to full reports of the cases which he has cited and keep abreast with the current cases decided by the Courts from time to time. This is good advice, but students will naturally find that in making themselves acquainted with the Consolidating Act of 1918, and all the amendments which have been made since, the task before them is not a light one. The examples given by Mr. Carrington will, however, materially assist them in understanding what is a very complicated subject.

**Pitman's Mercantile Law.** (Sixth Edition.) By R. W. Holland, M.A., LL.D. London: Sir Isaac Pitman and Sons, Limited, Parker Street, Kingsway, W.C. (456 pp. Price 7s. 6d. net.)

The object of the author of this book is to give a comprehensive exposition of the main principles of Mercantile Law. With this object in view, the book is divided into six parts, the first giving a general view of the law of contract, and the second the commercial relations between individuals, while the remaining parts deal with particular commercial contracts, insolvency, arbitration and miscellaneous matters. Under these various heads practically the whole range of commercial law is briefly reviewed. The appendix contains the text of the Bills of Exchange Act, 1882, the Factors Act, 1889, the Arbitration Act, 1889, and the Sale of Goods Act, 1893, which will be found useful for reference in reading the book.

**The Accounts and Audit Provisions of the Companies Act, 1929.** By Harry C. King, Incorporated Accountant. London: Gee & Co. (Publishers) Limited, 6, Kirby Street, E.C. (40 pp. Price 2s. 6d. net.)

This pamphlet takes the form of a very brief précis of the provisions of the new Companies Act. The sections are taken seriatim and the main substance of each is condensed into a few lines. Only those sections are dealt with which refer to matters indicated by the title of the pamphlet.

## Scottish Notes.

(FROM OUR CORRESPONDENT.)

### The Scottish Branch.

Fifty years ago next month—to be precise, on June 17th, 1880, twenty-three Scottish accountants met in Glasgow and formed "The Scottish Institute of Accountants," which nineteen years later became the Scottish Branch of the Society. The twenty-three accountants referred to were all members of the Institute of Accountants of England and Wales, which had just before that time received a Royal Charter of Incorporation. Their idea was to amalgamate the three Scottish Chartered

bodies, and to form a National Chartered Institute, instead of the three local societies of Edinburgh, Glasgow and Aberdeen, which at that time had no common policy and acted independently in the matter of examinations and otherwise. It is sufficient to say that this ideal was not attained, and in 1899 the Scottish Institute became the Scottish Branch of the Society.

### A Registration Precedent.

The position of the legal practitioners in Scotland prior to 1873 was somewhat similar to the present position of the accountancy profession. From a very early date societies of procurators and other legal practitioners had been formed in Edinburgh, Glasgow and Aberdeen and during the 18th and 19th centuries had obtained Royal Charters of Incorporation. In other towns and districts societies had been formed which were not incorporated. A Royal Commission, composed of the highest legal authorities in Scotland and England, which considered the question of the reform of legal procedure in Scotland, included in their Report a recommendation that all privileges enjoyed by such societies should be abolished, and that there should be one examination, and a Roll or Register of law agents established, and this was carried out by the Law Agents Act of 1873.

### Price Index Numbers.

At a meeting of the Faculty of Actuaries held in Edinburgh last month it was stated that a comprehensive service of index numbers relating to British Stock Exchange securities was contemplated. Such a service would, it was claimed, be of the utmost utility to insurance companies and others interested in finance. Committees of investment research had been appointed by the Faculty and the Institute of Actuaries to undertake the compilation of such a service. The committees had been at work for some time, and it was hoped that the publication of the results and the periodical issue of the information would be commenced in a few weeks.

### Financial Abuses.

Under the auspices of the Institute of Bankers, Mr. O. B. Hobson, Editor-in-Chief of the *Financial News*, delivered a lecture in Edinburgh on "The Stock Exchange and the Investor." Sir Alexander Wright, K.B.E., D.L., general manager of the Bank of Scotland, presided. Mr. Hobson said that his purpose was to discuss whether it was possible, and if so, how, to provide the investor with better protection against fraudulent and semi-fraudulent exploitation. Comparatively rarely in the history of finance had there been a period in which financial abuse of every kind had flourished more abundantly than in the past eighteen months or so. The main types of abuse could be conveniently classified under four heads. (1) Reckless flotations of new companies by financiers mainly intent on making profits for themselves; (2) "Group finance," which might be defined shortly as an ingenious system of aliases and alibis designed to deceive the investor; (3) The scandal of weak or dishonest underwriting; (4) Finally one might group together generically a multitude of devices employed for the purpose of covering up failure and postponing the day of reckoning. Mr. Hobson discussed these classes in detail, and then turned to the question of remedies. There were three agencies which could, and should, co-operate for the better protection of the investing public against fraud and unscrupulous exploitation. These were (1) the Law; (2) the Press; and (3) the Stock Exchange.

## Notes on Legal Cases.

[The abbreviations at the end of each of the cases refer to the following law reports, where full reports of the case may be found. The Law Reports and other reports are cited with the year and the Division, e.g. (1925) 2 K.B. :—

T.L.R., *Times Law Reports*; *The Times*, *The Times Newspaper*; L.J., *Law Journal*; L.J.N., *Law Journal Newspaper*; L.T., *Law Times*; L.T.N., *Law Times Newspaper*; S.J., *Solicitors' Journal*; W.N., *Weekly Notes*; S.C., *Sessions Cases (Scotland)*; S.L.T., *Scottish Law Times*; I.L.T., *Irish Law Times*; J.P., *Justice of the Peace (England)*; L.G.R., *Knight's Local Government Reports*; B. & C.R., *Bankruptcy and Company Cases*.

The other abbreviations used in modern reports are H.L., House of Lords; A.C., Appeal Court (House of Lords and Privy Council); C.A., Court of Appeal; Ch., Chancery Division; K.B., King's Bench Division; P., Probate, Divorce and Admiralty Division; C.S., Court of Session (Scotland); J., Mr. Justice (King's Bench or Chancery); L.J., Lord Justice; L.C., Lord Chancellor; M.R., Master of the Rolls; N.I., Northern Ireland; P., President of Probate, Divorce and Admiralty.]

### COMPANY LAW.

#### In re Gramophone Records, Limited.

##### *Breach of Contract.*

Maugham (J.) held that an agreement by a company for the employment of an individual for a specified term is broken by the company assigning its property and going into liquidation.

(Ch.; (1930) W.N., 42.)

#### In re Watson, Laidlaw & Co., Limited.

##### *Reduction of Capital.*

A company petitioned for an order to confirm a reduction of capital. All creditors had either been paid or had consented, with the exception of certain foreign creditors and certain other creditors stated to be not yet payable. The petition for the order confirming the reduction had not been brought to the notice of such unpaid creditors. The petitioners offered to give either a personal guarantee by a director or officer of the company that such creditors should be paid.

The Court of Session ordered a sum to be paid into Court to secure the claims of the unpaid creditors, and pronounced an order confirming the reduction of capital.

(C.S.; (1930) S.L.T., 268.)

### EXECUTORSHIP LAW AND TRUSTS.

#### In re Walker.

##### *Words of Futurity.*

The Court of Appeal held that the words "shall die" in a will are in ordinary cases words of futurity and are not equivalent to "shall have died."

(C.A.; (1930) L.J.N., 135.)

### MISCELLANEOUS.

#### Reading Trust Limited v. Spero.

##### *Enforcement of Contract.*

The Court of Appeal held (1) that where a contract contemplates a promissory note as security and there is a promissory note in the ordinary form not contradicting the contract, the fact that the contract does not set out the terms of the promissory note will not invalidate the contract, though it may be otherwise if the security contains an onerous term not contained in the contract; (2) that the limit of 48 per cent. being fixed for interest by sect. 10 of the Moneylenders Act, 1927, the burden of proving facts which condemned or justified a rate of interest over 48 per cent. shifted from the borrower to the lender.

(C.A.; (1930) L.T.N., 100.)

#### Taylor v. Thompson.

##### *Hire Purchase.*

MacKinnon (J.) held that an agreement to hire a chattel with option of purchase, and a provision for continuance of payment of instalments until a certain sum is paid, when the chattel is to become the property of the hirer, is an agreement for the sale of the chattel.

(K.B.; (1930) L.J.N., 116.)

### REVENUE.

#### Fry v. Burma Corporation.

##### *Income Tax and Commencement of Trade.*

The House of Lords dismissed an appeal for the Crown from an order of the Court of Appeal allowing an appeal by the respondents from Rowlatt (J.) and restoring the decision of the Commissioners, and held that a trade is not necessarily commenced for the purposes of the Income Tax Act in the year in which it transfers its office and the control of its business from abroad. Lord Dunedin in dismissing the appeal on the ground that the case fell within the Rule applicable to Case I of Schedule D of the Income Tax Act, 1918, said that it was a useless appeal and that it was time to recognise that it was not absolutely necessary to take any case to the House of Lords because the Crown had been found to be wrong.

(H.L.; (1930) L.J.N., 100.)

#### Betts v. Laycock.

##### *Income Tax and Source of Income.*

The Court of Appeal dismissed an appeal from a decision of Rowlatt (J.), and held that where a taxpayer has not been in possession of a "source of income" within sect. 29 (3) of the Finance Act, 1926, for the period therein mentioned he is not entitled to the benefit of that sub-section.

(C.A.; (1930) L.J.N., 201.)

#### Jones v. Leeming.

##### *Annual Profits or Gains.*

The House of Lords held that where an isolated transaction of the purchase and sale of property is not an adventure in the nature of trade, it is not assessable to income tax.

(H.L.; 46 T.L.R., 296.)

#### Birmingham Corporation v. Inland Revenue.

##### *Interest on Housing Bonds.*

A local authority raised money on bonds charged on their rates, revenue and property for the purpose of an assisted housing scheme under the Housing, Town Planning, &c., Act, 1919. The income of the housing scheme account was not sufficient to cover the expenditure including interest on these bonds, and under sect. 7 of the Act and the regulations thereunder the deficit was made good by an Exchequer subsidy. The local authority received from other trading activities profits or gains which had been brought into charge for income tax. In financing these other activities the local authority had one borough fund only, and any deficiency was met by raising a rate. The local authority contended that they were entitled to apply these taxed profits or gains, in paying the interest on the housing bonds and, therefore, to retain the sums deducted for income tax.

The House of Lords affirmed the decision of the Court of Appeal (see *Incorporated Accountants' Journal*, July, 1929, p. 344) and held that the income tax deducted in paying interest on the bonds to the extent that the subsidy had to be applied for those purposes must be accounted for to the Revenue under the All Schedules Rules, Rule 21.

(H.L.; (1930) 46 T.L.R., 262.)